

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2020

NEW ISSUE—FULL BOOK-ENTRY

**RATINGS: Moody's: "Aa2"; S&P: "A+"
See "MISCELLANEOUS – Ratings" herein**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

\$83,000,000*
SALINAS UNION HIGH SCHOOL DISTRICT
(Monterey County, California)
Election of 2014 General Obligation Bonds, Series B

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned to such terms herein.

The Salinas Union High School District (Monterey County, California) Election of 2014 General Obligation Bonds, Series B (the "Bonds"), were authorized at an election of the registered voters of the Salinas Union High School District (the "District") held on November 4, 2014, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$128,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, (ii) pay the District's 2015 General Obligation Bond Anticipation Notes and (iii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Monterey County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), upon all property within the District subject to taxation by the District, for the payment of the principal of and interest on the Bonds when due.

The Bonds will be dated as of their Date of Delivery and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein.*

Maturity Schedule
(See inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2020.



Dated: _____, 2020

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

\$83,000,000*

**SALINAS UNION HIGH SCHOOL DISTRICT
(Monterey County, California)
Election of 2014 General Obligation Bonds, Series B**

Base CUSIP⁽¹⁾: 794896

\$ _____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix⁽¹⁾
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\$ _____ – ____ % Term Bonds due August 1, 20__ – Yield ____%; CUSIP Suffix⁽¹⁾:

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the District, the Municipal Advisor nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District, the Municipal Advisor nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

SALINAS UNION HIGH SCHOOL DISTRICT

Board of Trustees

Sandra Ocampo, *President, Region 6*
Phillip Tabera, *Vice President, Region 3*
Kristina Szaszy-Jones, *Clerk, Region 7*
Carlos Rubio, *Trustee, Region 1*
Patty Padilla-Salsberg, *Trustee, Region 2*
Jorge Rojas, *Trustee, Region 4*
Anthony Rocha, *Trustee, Region 5*

District Administration

Dan Burns, *Superintendent*
Ana Aguillon, *Manager of Business Services/CBO*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Municipal Advisor

Keygent, LLC
El Segundo, California

Paying Agent, Escrow Agent, Registrar and Transfer Agent

U.S. Bank National Association
San Francisco, California

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\$83,000,000*
SALINAS UNION HIGH SCHOOL DISTRICT
(Monterey County, California)
Election of 2014 General Obligation Bonds, Series B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Salinas Union High School District (Monterey County, California) Election of 2014 General Obligation Bonds, Series B (the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

General

The Salinas Union High School District (the “District”) is a public school district in the State of California (the “State”) and was established in 1868. The District is located in Monterey County (the “County”) and provides public education within an approximately 250 square mile area, including the City of Salinas and certain unincorporated areas of the County. The District operates four middle schools, five high schools, one continuation school, one adult education school, a regional occupational program and an independent study program. The District has budgeted for a fiscal year 2019-20 average daily attendance (“ADA”) of 15,306 students, and the District has a fiscal year 2019-20 assessed valuation of \$17,808,158,022.

The District is governed by a seven-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Mr. Dan Burns is the District Superintendent.

See “TAX BASE FOR PAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “SALINAS UNION HIGH SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein for more information regarding the District generally. The District’s audited financial statements for fiscal year ending June 30, 2019 are attached hereto as APPENDIX B and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued to (i) pay the District’s 2015 General Obligation Bond Anticipation Notes (the “2015 Notes”), (ii) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (iii) pay the costs of issuing the Bonds. See also “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the District Board on February 25, 2020 (the “Resolution”). See “THE BONDS – Authority for Issuance” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), upon all property subject to taxation by the District, for the payment of the principal of and interest on the Bonds when due. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR PAYMENT OF BONDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. See “THE BONDS – General Provisions” and “THE BONDS – Book-Entry Only System” herein. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See “THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners” herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners” or “Holders” of the Bonds (other than under the captions “INTRODUCTION – Tax Matters” and “TAX MATTERS,” as well as in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiple thereof.

Redemption.* The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of the date of their initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year (each a “Bond Payment Date”), commencing August 1, 2020. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by the County, as the designated paying agent, registrar and transfer agent (the “Paying Agent”) to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

* Preliminary, subject to change.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2020.

Bond Owner’s Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District and certain other considerations related thereto, see “TAX BASE FOR PAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriter. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and

Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “intend,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Salinas Union High School District, 431 West Alisal St., Salinas, CA 93901, telephone: (831) 796-7000. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

Certain of the information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and the Resolution. The District received authorization at an election held on November 4, 2014 by the requisite 55% of the votes cast by eligible voters within the District to issue \$128,000,000 aggregate principal amount of general obligation bonds (the “2014 Authorization”). On November 23, 2015, the District issued its Election of 2014 General Obligation Bonds, Series A in an aggregate principal amount of \$44,995,148.90. On November 23, 2015, the District also issued its 2015 Notes in an aggregate principal amount of \$44,998,098.75. The Bonds are the second series of bonds issued under the 2014 Authorization, and following the issuance thereof, \$4,851.10* of the 2014 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), upon all property within the District subject to taxation thereby, for the payment of the principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest thereon when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in property values, reclassification of property to a class exempt from taxation, whether by

* Preliminary, subject to change.

ownership or use (such as exemptions for property owned by the State of California (the “State”) and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” and “TAX BASE FOR PAYMENT OF BONDS” herein.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the District Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 2016 and payable, both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2020, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of

America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

Annual Debt Service

The following table shows the annual debt service requirements of the District for the Bonds:

<u>The Bonds</u>			
<u>Year Ending</u> <u>August 1</u>	<u>Annual Principal</u> <u>Payment</u>	<u>Annual Interest</u> <u>Payment⁽¹⁾</u>	<u>Total Annual</u> <u>Debt Service</u>

Total

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

See “SALINAS UNION HIGH SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a complete debt service schedule of all of the District’s general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to (i) pay the 2015 Notes, (ii) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (iii) pay the costs of issuing the Bonds.

A portion of the net proceeds from the sale of Bonds will be deposited and held uninvested with U.S. Bank National Association in its capacity as Paying Agent for the 2015 Notes, to be used to pay principal of and interest on the 2015 Notes, prior to maturity thereof. The remaining net proceeds from the sale of the Bonds will be deposited by the County to the credit of the building fund created by the Resolution (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Any interest earnings in the Building Fund will be retained therein. Any excess proceeds from the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund (defined herein) and applied to payment of principal of and interest on the Bonds.

The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, are required to be held separate and apart by the County in a debt service fund created by the Resolution (the "Debt Service Fund"), and used only for payment of principal of and interest on Bonds. Any accrued interest and net premium received upon the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Fund are expected to be invested through the County pooled investment fund. See "APPENDIX E – MONTEREY COUNTY INVESTMENT POOL" attached hereto.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.* The Bonds maturing on August 1, 20__ (the "Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount of Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as shown in the following table:

* Preliminary, subject to change.

Redemption Date
(August 1)

Principal Amount

(1) Maturity.

In the event that a portion of such Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

Redemption Notice. When optional redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or, in the absence of such a written designation, as the Paying Agent may select.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent to the effect that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “—Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC or the Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC or the Participants (as defined herein) will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with the Participants are on file with DTC.

The DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial

Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the registration books of the Paying Agent only upon presentation and surrender of such Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date, or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

- (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or
- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash and amounts transferred from the Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations the payment of principal of and interest on which is secured, guaranteed or otherwise backed by, directly or indirectly, a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody’s Investors Service (“Moody’s”) or S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”).

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of the Bonds
Original Issue Premium
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to 2015 Notes Debt Service Fund⁽¹⁾
Deposit to Debt Service Fund
Underwriter Discount
Costs of Issuance⁽²⁾
Total Uses

⁽¹⁾ Held by U.S. Bank, in its capacity as Paying Agent for the 2015 Notes.

⁽²⁾ Reflects all costs of issuance of the Bonds, including, but not limited to, demographics fees, legal fees, municipal advisory fees, printing costs, ratings fees and the fees of the Paying Agent. See "Miscellaneous – Underwriting" herein.

TAX BASE FOR PAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The principal of and interest on the Bonds are payable solely from the proceeds of ad valorem property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for both the District and the County's taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of such property. Unsecured property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within that County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus a minimum \$10 cost on the second installment, plus any additional amount determined by the tax-collecting authority of the County. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty,

plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the tax-collecting authority of the County.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “ – Secured Tax Charges and Delinquencies” herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of such exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2019-20 of \$17,808,158,022. The following table represents a 10-year history of assessed valuations in the District.

**ASSESSED VALUATIONS
Fiscal Years 2010-11 through 2019-20
Salinas Union High School District**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2010-11	\$11,887,006,350	\$3,783,475	\$709,173,092	\$12,599,962,917
2011-12	11,701,998,938	3,783,475	727,916,321	12,433,698,734
2012-13	11,772,815,460	3,757,383	745,712,766	12,522,285,609
2013-14	12,120,285,107	3,635,283	741,553,133	12,865,473,523
2014-15	13,068,703,686	4,185,283	761,170,872	13,834,059,841
2015-16	13,846,247,382	4,185,283	783,301,912	14,633,734,577
2016-17	14,487,980,125	3,718,390	802,077,819	15,293,776,334
2017-18	15,232,537,620	3,718,390	838,711,548	16,074,967,558
2018-19	16,001,743,566	3,718,390	866,317,661	16,871,779,617
2019-20	16,793,004,476	3,736,639	1,011,416,907	17,808,158,022

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A.

No assurance can be given that future property tax appeals, or actions by the County assessor, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the BOE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2019-20 assessed valuation.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2019-20
Salinas Union High School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Salinas	\$12,080,694,193	67.84%	\$12,080,694,193	100.00%
Unincorporated Monterey County	<u>5,727,463,829</u>	<u>32.16</u>	35,898,423,996	15.95
Total District	\$17,808,158,022	100.00%		
Monterey County	\$17,808,158,022	100.00%	\$71,265,526,245	24.99%

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2019-20 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2019-20
Salinas Union High School District**

Single Family Residential	No. of <u>Parcels</u>	2019-20 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>			
	28,969	\$10,368,782,526	\$357,927	\$305,494			
	<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
	\$0 - \$49,999	360	1.243%	1.243%	\$13,323,664	0.128%	0.128%
	50,000 - 99,999	2,153	7.432	8.675	160,806,640	1.551	1.679
	100,000 - 149,999	1,962	6.773	15.448	246,824,126	2.380	4.060
	150,000 - 199,999	2,945	10.166	25.614	521,716,908	5.032	9.091
	200,000 - 249,999	3,514	12.130	37.744	790,051,687	7.620	16.711
	250,000 - 299,999	3,224	11.129	48.873	883,618,384	8.522	25.233
	300,000 - 349,999	2,867	9.897	58.770	930,466,473	8.974	34.207
	350,000 - 399,999	2,669	9.213	67.983	998,876,734	9.634	43.840
	400,000 - 449,999	2,274	7.850	75.833	963,904,031	9.296	53.136
	450,000 - 499,999	1,736	5.993	81.825	822,374,505	7.931	61.068
	500,000 - 549,999	1,347	4.650	86.475	706,586,471	6.815	67.882
	550,000 - 599,999	1,021	3.524	90.000	586,223,617	5.654	73.536
	600,000 - 649,999	580	2.002	92.002	361,507,837	3.487	77.022
	650,000 - 699,999	387	1.336	93.338	260,418,344	2.512	79.534
	700,000 - 749,999	304	1.049	94.387	219,905,307	2.121	81.655
	750,000 - 799,999	240	0.828	95.216	185,627,450	1.790	83.445
	800,000 - 849,999	202	0.697	95.913	166,548,171	1.606	85.051
	850,000 - 899,999	169	0.583	96.496	147,371,964	1.421	86.473
	900,000 - 949,999	137	0.473	96.969	126,441,763	1.219	87.692
	950,000 - 999,999	124	0.428	97.397	120,845,867	1.165	88.857
	1,000,000 and greater	754	2.603	100.000	1,155,342,583	11.143	100.000
	Total	28,969	100.000%		\$10,368,782,526	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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Assessed Valuations and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2019-20.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2019-20
Salinas Union High School District

2019-20	% of <u>Assessed Valuation</u> ⁽¹⁾	No. of <u>Total</u>	% of <u>Parcels</u>	<u>Total</u>
Non-Residential:				
Agricultural	\$826,647,471	4.92%	825	2.10%
Commercial	1,884,387,872	11.22	1,562	3.97
Vacant Commercial	60,491,042	0.36	189	0.48
Industrial	1,388,298,695	8.27	322	0.82
Vacant Industrial	54,519,702	0.32	88	0.22
Recreational	71,456,059	0.43	32	0.08
Government/Social/Institutional	44,388,277	0.26	715	1.82
Miscellaneous	<u>114,547,818</u>	<u>0.68</u>	<u>711</u>	<u>1.81</u>
Subtotal Non-Residential	\$4,444,736,936	26.47%	4,444	11.30%
Residential:				
Single Family Residence	\$10,368,782,526	61.74%	28,969	73.68%
Condominium/Townhouse	436,957,720	2.60	2,659	6.76
Mobile Home	22,255,459	0.13	529	1.35
Mobile Home Park	47,281,106	0.28	17	0.04
2-4 Residential Units	329,379,208	1.96	1,277	3.25
5+ Residential Units/Apartments	935,066,497	5.57	762	1.94
Vacant Residential	<u>208,545,024</u>	<u>1.24</u>	<u>659</u>	<u>1.68</u>
Subtotal Residential	\$12,348,267,540	73.53%	34,872	88.70%
Total	\$1,534,874,225	100.00%	5,517	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Secured Tax Charges and Delinquencies

The following table shows secured *ad valorem* property tax levies for bonded indebtedness of the District, and amounts delinquent as of June 30, for fiscal years 2014-15 through 2018-19.

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2014-15 through 2018-19 Salinas Union High School District

	<u>Secured Tax Charge</u> ⁽¹⁾	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u> ⁽¹⁾
2014-15	\$5,622,560.00	\$69,480.96	1.24%
2015-16	9,898,748.00	85,766.59	0.87
2016-17	9,989,698.00	75,936.85	0.76
2017-18	9,863,496.00	68,945.07	0.70
2018-19	4,894,462.00	35,429.06	0.72

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2014-15 through 2018-19 Salinas Union High School District

	<u>Secured Tax Charge</u> ⁽²⁾	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u> ⁽²⁾
2014-15	\$3,400,075.00	\$51,693.04	1.52%
2015-16	3,498,315.00	40,176.49	1.15
2016-17	2,558,047.00	23,870.08	0.93
2017-18	0	0	0
2018-19	0	0	0

⁽¹⁾ Salinas Union High School District's general obligation bond debt service levy.

⁽²⁾ Salinas Union High School District SFID's general obligation bond debt service levy.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment - "Teeter Plan"

Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

The District is a member of the Monterey County Educational Delinquent Tax Finance Authority ("MCEDTFA"). MCEDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that MCEDTFA will from time to time purchase delinquent *ad valorem* tax receivables from the District at a purchase price equal to 110% of such receivable.

Tax Rates

A representative tax rate area (“TRA”) located within the District is TRA 5-15. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2015-16 through 2019-20

**SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 5-15)⁽¹⁾
Fiscal Years 2015-16 through 2019-20
Salinas Union High School District**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
County-Wide	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Salinas Union High School District Bonds	.072048	.069467	.065209	.030790	.033890
Salinas Union High School District SFID	.042331	.029566	-	-	-
Bonds					
Hartnell Community College District Bonds	.021133	.019209	.037237	.037649	.035605
Salinas City School District Bonds	<u>.041507</u>	<u>.030944</u>	<u>.023094</u>	<u>.034066</u>	<u>.024411</u>
Total	1.177019%	1.149186	1.125540	1.102505	1.093906

⁽¹⁾ 2019-20 assessed valuation of TRA 5-015 is \$2,886,792,805, which is 16.21% of the district’s total assessed valuation
Source: *California Municipal Statistics, Inc.*

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2019-20 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2019-20 Salinas Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	D'Arrigo Bros. Co.	Agricultural/Food Processing	\$ 155,124,010	0.92%
2.	Northridge Owner LP	Shopping Center	133,705,896	0.80
3.	Tanimura & Antle Partnership	Food Processing	84,323,917	0.50
4.	CMP-1 LLC	Apartments	83,459,852	0.50
5.	Harden Ranch Plaza Associates LLC	Commercial	82,516,608	0.49
6.	Mann Packing Company Inc.	Food Processing	80,017,700	0.48
7.	California Water Service Co.	Water Company	68,825,268	0.41
8.	Yuki Farms LP III LP	Agricultural	68,351,751	0.41
9.	The Uni-Kool Partners	Warehouse	61,199,912	0.36
10.	Chiquita Brands International Inc.	Food Processing	57,816,086	0.34
11.	STG Firestone LLC	Warehouse	50,133,688	0.30
12.	Growers Ice Company	Food Processing	47,422,317	0.28
13.	Casentini Street Apartments LLC	Agricultural	44,329,255	0.26
14.	Taylor Salinas Property Management Co.	Commercial	40,776,028	0.24
15.	EPC Villa Serra LLC	Agricultural	38,836,263	0.23
16.	John Suppes	Apartments	38,004,705	0.23
17.	Spreckels Industrial Park LLC	Food Processing	36,127,370	0.22
18.	1701 Independence LLC	Apartments	32,394,207	0.19
19.	Southport Cooling Company & Rio Farms	Food Processing	31,579,089	0.19
20.	Wal-Mart Real Estate Business Trust	Shopping Center	31,314,889	0.19
			<u>\$1,266,258,811</u>	<u>7.54%</u>

⁽¹⁾ 2019-20 Local Secured Assessed Valuation: \$16,793,004,476.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. effective as of February 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Salinas Union High School District

2019-20 Assessed Valuation: \$17,808,158,022

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/20</u>
Hartnell Joint Community College District	59.362%	\$116,822,437
Salinas Union High School District	100.000	86,748,248⁽¹⁾
Salinas Union High School District School Facilities Improvement District	100.000	4,453,928
Alisal Union School District	100.000	57,246,030
Graves School District	100.000	130,000
Salinas City School District	100.000	40,616,475
Santa Rita Union School District	100.000	19,589,953
Spreckels Union School District	100.000	8,367,062
Washington Union School District	100.000	10,325,000
Monterey County Water Resources Agency, Zone No. 2-C	24.988	5,279,964
California State Community Development Authority Community Facilities District No. 97-1	100.000	807,542
City of Salinas Community Facilities District No. 2016-1	100.000	4,765,000
City of Salinas 1915 Act Bonds	100.000	<u>2,140,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$357,291,639
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Monterey County General Fund Obligations	24.988%	\$ 37,037,867
Monterey County Office of Education Certificates of Participation	24.988	333,590
Salinas Union High School District General Fund Obligations	100.000	17,944,419
Alisal Union School District Certificates of Participation	100.000	15,351,000
Salinas City School District Certificates of Participation	100.000	16,148,923
City of Salinas Certificates of Participation	100.000	111,867,114
Monterey County Regional Fire Protection District Pension Fund Bonds	48.343	12,445,905
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$211,128,818
Less: Monterey County supported obligations		<u>874,763</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$210,254,055
<u>OVERLAPPING TAX AND ASSESSMENT DEBT (Successor Agency):</u>		\$2,267,881
GROSS COMBINED TOTAL DEBT		\$570,688,338 ⁽²⁾
NET COMBINED TOTAL DEBT		\$569,813,575

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$86,748,248)	0.49%
Combined Direct Debt (\$109,146,595)	0.61%
Total Direct and Overlapping Tax and Assessment Debt	2.01%
Gross Combined Total Debt	3.20%
Net Combined Total Debt.....	3.20%

Ratio to Redevelopment Incremental Valuation (\$809,922,032):

Total Overlapping Tax Increment Debt	0.28%
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⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein.) Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the principal of and interest on the Bonds.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR PAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State legislature (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the

tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIII B of the California Constitution

Article XIII B ("Article XIII B") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) "change in the cost of living" with respect to school districts to mean the percentage change in State per capita income from the preceding year, and
- (b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "—Propositions 98 and 111" herein.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the State Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor, (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property shall be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property shall retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculate by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and

Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, to be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in State per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for

State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3") (the application of any such tests referred to herein as the "Minimum Funding Guarantee"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in the State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved the School Facilities Local Vote Act of 2000 (commonly known as Proposition 39) to the State Constitution. Proposition 39 is an initiated constitutional amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property. Property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than \$60 (for a unified school district, such as the District), \$30 (for a high school or elementary school district), or \$25 (for a community college district) per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See “—Article XIII A of the California Constitution” herein.

Jarvis vs. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to

shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See also "DISTRICT FINANCIAL INFORMATION –Dissolution of Redevelopment Agencies" herein.

Proposition 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the Minimum Funding Guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the Minimum Funding Guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the Minimum Funding Guarantee for the fiscal year in which a PSSSA transfer might

be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated Minimum Funding Guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Bonds are payable solely from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter schools (\$500 million) and technical education facilities (\$500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover

their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39, 98, 51 and 55 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts have been funded based on uniform funding grants assigned to certain grade spans. See "—Local Control Funding Formula" herein.

The table on the following page reflects the historical ADA and base revenue limit per student for the District for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 through 2012-13
Salinas Union High School District

<u>Year</u>	<u>Average Daily Attendance</u> ⁽¹⁾	<u>Base Revenue Limit per ADA</u> ⁽²⁾	<u>Deficit Revenue Limit per ADA</u> ⁽²⁾
2007-08	12,798.33	\$6,647.73	\$6,647.73
2008-09	12,795.24	7,026.73	6,475.55
2009-10	12,691.24	7,326.74	5,981.91
2010-11	12,845.87	7,297.73	5,986.84
2011-12	12,884.23	7,461.73	5,924.46
2012-13	13,053.76	7,704.73	5,988.73

⁽¹⁾ Data based on state legislation which reconfigured ADA to represent actual attendance without regard to excused absences. Reflects ADA as of the second principal reporting period (P-2 ADA), ending on April 15 of each school year.

⁽²⁾ Deficit revenue limit funding, if provided for in State budget legislation, previously reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: Salinas Union High School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the fiscal year 2013-14 State budget, establishes a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See "—State Budget" herein for the adjusted Base Grants provided by current State budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to

the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2019-20
Salinas Union High School District

Fiscal Year	Average Daily Attendance⁽¹⁾		Enrollment⁽²⁾	
	7-8	9-12	Total Enrollment	% of EL/LI Enrollment
2013-14	3,986.62	9,112.10	13,905	71.68%
2014-15	4,171.90	9,333.34	14,437	71.11
2015-16	4,328.95	9,553.52	14,691	71.38
2016-17	4,373.62	9,911.76	15,040	71.83
2017-18	4,557.31	10,083.46	15,631	73.14
2018-19	4,648.56	10,290.41	15,818	74.51
2019-20 ⁽³⁾	4,531.21	10,774.94	16,256	74.22

⁽¹⁾ Reflects final funded ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

⁽²⁾ Reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool students. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students is based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Figures shown include enrollment in County-operated programs.

⁽³⁾ Budgeted.

Source: Salinas Union High School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFE provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the

prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain schools districts, known as "Basic Aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic Aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for Basic Aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a Basic Aid District.

Accountability. On January 16, 2014, the State Board of Education adopted regulations regarding the expenditure of supplemental and concentration funding, and on February 6, 2014 the State Office of Administrative Law approved such regulations. These regulations include a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP

or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Funding Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, foundations, parcel taxes, developer fees and other local sources. With respect to the District, certain of these are discussed below.

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$2.48 (K-6) and \$1.47 (K-8) per square foot, while commercial development is assessed a fee of \$0.26 (K-6) and \$0.17 (K-8) per square foot. For fiscal years 2015-16, 2016-17, 2017-18 and 2018-19 the District received \$521,499, \$307,595, \$845,293 and \$369,165, respectively, in developer fees. The District projects that it will receive \$510,888 in developer fees in fiscal year 2019-20.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The

State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and, not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a “negative” certification of an Interim Financial Report pursuant to AB 1200.

Budgeting Trends. The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, and audited actual results for fiscal years 2015-16 through 2018-19 are set forth below.

GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20
Salinas Union High School District

	2015-16 ⁽¹⁾		2016-17 ⁽¹⁾		2017-18 ⁽¹⁾		2018-19 ⁽¹⁾		2019-20	
	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted</u> ⁽²⁾	<u>Projected</u> ⁽³⁾
REVENUES:										
Revenue Limit/LCFF Sources	\$127,754,596	\$130,162,864	\$137,212,463	\$141,071,392	\$147,337,531	\$148,411,717	\$162,849,696	\$164,214,567	\$171,022,344	\$173,828,892
Federal Sources	11,563,770	10,305,528	11,029,919	9,663,748	10,850,549	10,507,279	10,732,455	10,784,009	11,278,411	11,578,509
Other State Sources	11,822,385	18,651,607	9,211,207	15,962,113	12,219,005	15,555,406	22,552,580	27,399,664	13,709,268	16,366,322
Other Local Sources	<u>6,654,517</u>	<u>8,515,725</u>	<u>7,414,059</u>	<u>7,947,456</u>	<u>7,749,652</u>	<u>7,913,484</u>	<u>8,302,419</u>	<u>10,716,269</u>	<u>8,651,398</u>	<u>9,466,931</u>
Total Revenues	157,795,268	167,635,724	164,867,648	174,644,709	178,156,737	182,387,886	204,437,150	213,114,509	204,661,421	211,260,654
EXPENDITURES:										
Certificated Salaries	65,398,678	71,751,897	73,654,056	75,952,922	82,131,016	82,783,011	84,929,409	88,404,861	92,344,146	93,278,619
Classified Salaries	19,659,979	21,761,814	22,096,596	23,549,198	24,396,475	24,289,598	25,361,041	25,742,990	27,453,078	27,666,435
Employee Benefits	30,649,855	35,692,994	35,808,484	40,037,978	46,571,471	44,513,914	51,392,793	57,295,383	55,364,155	54,879,106
Books and Supplies	8,550,526	9,757,998	7,513,037	8,530,625	10,197,027	8,827,767	10,085,821	8,653,016	9,814,671	10,435,316
Services and Operating Expenditures	14,151,859	18,056,996	16,269,179	19,180,325	19,673,614	19,399,361	20,114,586	18,590,935	18,811,546	19,938,652
Capital Outlay	1,506,933	3,217,710	2,095,032	2,268,625	4,619,175	6,265,397	7,727,140	25,030,688 ⁽⁴⁾	6,150,834	9,529,722
Other Outgo	2,372,965	2,554,471	2,217,571	2,771,428	2,487,472	2,476,528	2,636,205	2,600,178	4,326,869	5,155,160
Direct Support/Indirect Costs	--	--	--	--	--	--	--	<u>1,200,000</u>	<u>(288,428)</u>	<u>(299,546)</u>
Total Expenditures	142,290,795	162,793,880	159,653,955	172,291,101	190,076,250	188,555,576	202,246,995	227,518,051	213,976,871	220,583,464
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,504,473	4,841,844	5,213,693	2,353,608	(11,919,513)	(6,167,690)	2,190,155	(14,403,542)	(9,285,450)	(9,322,810)
OTHER FINANCING SOURCES (USES):										
Transfers In	2,410,683	27	438,190	--	3,440,834	--	3,200,000	--	30,000	1,342,766
Transfers Out	--	--	--	--	--	--	--	--	--	--
Proceeds from Capital Leases	--	--	--	--	--	<u>19,272,141</u>	--	--	--	--
Total Financing Sources (Uses)	<u>2,410,683</u>	<u>27</u>	<u>438,190</u>	<u>--</u>	<u>3,440,834</u>	<u>19,272,141</u>	<u>3,200,000</u>	<u>--</u>	<u>30,000</u>	<u>1,342,766</u>
NET CHANGE IN FUND BALANCES	17,915,156	4,841,871	5,651,883	2,353,608	(8,478,679)	13,104,451	5,390,155	(14,403,542)	(9,315,450)	(7,980,044)
FUND BALANCE, JULY 1	<u>47,319,369</u>	<u>47,319,369</u>	<u>52,161,240</u>	<u>52,161,240</u>	<u>54,514,848</u>	<u>54,514,848</u>	<u>67,619,299⁽⁴⁾</u>	<u>67,619,299</u>	<u>24,988,527⁽⁵⁾</u>	<u>28,293,526</u>
FUND BALANCE, JUNE 30	<u>\$65,234,525</u>	<u>\$52,161,240</u>	<u>\$57,813,123</u>	<u>\$54,514,848</u>	<u>\$46,036,169</u>	<u>\$67,619,299</u>	<u>\$73,009,454</u>	<u>\$53,215,757</u>	<u>\$15,703,077</u>	<u>\$20,313,482</u>

(1) From the audited financial statements of the District for each fiscal year.

(2) From the fiscal year 2019-2020 Adopted Budget, approved at the June 25, 2019 Board meeting.

(3) From the fiscal year 2019-20 First Interim report, approved at the December 10, 2019 Board meeting.

(4) Figures include proceeds from a solar lease entered into during fiscal year 2017-18 (the "Solar Lease"). The proceeds were used for construction of a solar project to install solar panels and LED lighting.

(5)

Source: Salinas Union High School District.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Manager of Business Services/CBO of the District, 431 West Alisal St., Salinas, CA 93901. The District's audited financial statements for the year ended June 30, 2019 are attached hereto as APPENDIX B.

The following table reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2014-15 through 2018-19.

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES Fiscal Years 2014-15 through 2018-19 Salinas Union High School District

	Audited Actuals <u>2014-15</u>	Audited Actuals <u>2015-16</u>	Audited Actuals <u>2016-17</u>	Audited Actuals <u>2017-18</u>	Audited Actuals <u>2018-19</u>
REVENUES:					
Revenue Limit/LCFF Sources	\$112,736,579	\$130,162,864	\$141,071,392	\$148,411,717	\$164,214,567
Federal Sources	9,398,810	10,305,528	9,663,748	10,507,279	10,784,009
Other State Sources	10,543,848	18,651,607	15,962,113	15,555,406	27,399,664
Other Local Sources	<u>8,915,810</u>	<u>8,515,725</u>	<u>7,947,456</u>	<u>7,913,484</u>	<u>10,716,269</u>
Total Revenues	141,595,047	167,635,724	174,644,709	182,387,886	213,114,509
EXPENDITURES:					
Instruction	83,228,828	92,347,685	97,038,971	104,363,676	117,544,729
Instruction-related activities	17,882,145	22,056,363	25,172,090	27,022,363	30,541,962
Pupil Services	15,936,973	18,128,527	19,842,840	22,683,557	25,296,125
General Administration	6,701,492	10,126,393	7,548,435	8,201,590	9,272,681
Plant Services	12,765,400	14,418,307	17,194,615	16,927,131	16,288,202
Facility Acquisition and Construction	881,894	1,949,876	1,479,692	3,834,428 ⁽¹⁾	23,188,822 ⁽²⁾
Ancillary Services	760,398	781,818	865,903	916,404	1,144,698
Community Services	47,270	50,093	52,753	50,835	79,290
Other Outgo	2,807,071	2,934,818	3,095,802	2,933,759	2,961,542
Debt Service	--	--	--	--	654,598
Principal Retirement	--	--	--	--	<u>545,402</u>
Interest	<u>\$141,011,471</u>	<u>\$162,793,880</u>	<u>\$172,291,101</u>	<u>\$184,721,148</u>	<u>\$227,518,051</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	583,576	4,841,844	2,353,608	(2,333,262)	(14,403,542)
Other Sources/(Uses)	343,472	27	--	--	--
Net Change in Fund Balances	927,048	4,841,871	2,353,608	(2,333,262)	(14,403,542) ⁽²⁾
Fund Balance – July 1	<u>46,392,321</u>	<u>47,319,369</u>	<u>52,161,240</u>	<u>54,514,848</u>	<u>67,619,299</u>
Fund Balance – June 30	<u>\$47,319,369</u>	<u>\$52,161,240</u>	<u>\$54,514,848</u>	<u>\$52,181,586</u>	<u>\$53,215,757</u>

⁽¹⁾ Figure is restated in the revised fiscal year 2017-18 audit report, supplemented with Note 17 on October 17, 2019, to reflect work completed on the solar project using proceeds from the Solar Lease.

⁽²⁾ Figure includes construction projects for the ROP-CTE Public Sector Lab, the Mt. Toro-Multipurpose room and Child Development Center, various roofing projects and the new Rancho San Juan High School.

Source: Salinas Union High School District.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from summaries of the 2019-20 Budget prepared by the State Department of Finance and the LAO.

For fiscal year 2018-19, the 2019-20 Budget projected total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State was projected to end the 2018-19 fiscal year with total available general fund reserves of \$20.7 billion, including \$5.4 billion in the traditional general fund reserve, \$14.4 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projected total general fund revenues and transfers of \$143.8 billion and authorized expenditures of \$147.8 billion. The State was projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.8 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorized a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2. The amount was projected to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751."

For fiscal year 2019-20, the 2019-20 Budget set the minimum funding guarantee at \$81.1 billion. With respect to K-12 education, ongoing per-pupil spending was set at \$11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers’ long-term unfunded liability. See also SALINAS UNION HIGH SCHOOL DISTRICT – District Retirement Programs” herein.
- *After School Programs* - \$50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.
- *Teacher Support* - \$43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes \$89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.
- *Broadband Infrastructure* - \$7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.
- *Full-Day Kindergarten* - \$300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.
- *Wildfire-Related Cost Adjustments* – An increase of \$2 million in one-time Proposition 98 funding to reflect adjustments in the estimated for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also held both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2020-21 Budget. On January 10, 2020, the Governor released his proposed State budget for fiscal year 2020-21 (the “Proposed 2020-21 Budget”). The following information is drawn

from the summaries of the Proposed 2020-21 Budget prepared by the State Department of Finance and the LAO.

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$146.5 billion and total expenditures of \$149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$20 billion, including \$3.1 billion in the traditional general fund reserve, \$16 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSA by \$147.7 million, for a total of \$524 million, in order to comply with Proposition 2. The amount continues to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751.”

For fiscal year 2020-21, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$151.6 billion and authorizes expenditures of \$153.1 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$20.5 billion, including \$1.6 billion in the traditional general fund reserve, \$18 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Proposed 2020-21 Budget also authorizes a deposit to the PSSSA of \$487 million in order to comply with Proposition 2. This amount is below the amount required to trigger certain maximum local reserve levels for school districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751.” Pursuant to the provisions of Proposition 2, the Proposed 2020-21 Budget also projects a draw on the PSSSA of approximately \$37.6 million.

The Proposed 2020-21 Budget makes certain revisions to Proposition 98 funding levels set by prior budgetary legislation. For fiscal year 2018-19, the minimum funding guarantee is revised to \$78.4 billion, an increase of \$301.5 million from prior levels. For fiscal year 2019-20, the minimum funding guarantee is revised to \$81.6 billion, an increase of \$517 million from the prior level. These increases are due largely to increases in property tax revenues in fiscal year 2018-19, and increases in State general fund revenues in both fiscal years.

For fiscal year 2020-21, the Proposed 2020-21 Budget sets the minimum funding guarantee at \$84 billion, an increase of approximately \$2.6 billion over the revised prior year level. With respect to K-12 education, ongoing per-pupil spending is set at \$17,964. Due to the year-to-year growth in State revenues and a projected decline in ADA, fiscal year 2020-21 is projected to be a “Test 1” year. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.2 billion in Proposition 98 funding for the LCFF, reflecting a 2.29% COLA. This would bring total LCFF funding to \$64.2 billion. The Proposed 2020-21 Budget also includes \$600,000 in one-time Proposition 98 funding to improve LCFF fiscal accountability by making Statewide LCAP information more accessible to the public. Finally, the Proposed 2020-21 Budget includes an increase of \$5.7 million in LCFF funding for county offices of education, reflecting a 2.29% COLA.
- *Categorical Programs* – An increase of \$122.4 million in Proposition 98 funding for categorical programs that remain outside the LCFF, reflecting a 2.29% COLA.
- *Special Education* – A new special education base funding formula using a three-year rolling average of local educational agency ADA allocated to special education local plans areas. This funding level would include a 15% increase in the Proposition 98 contribution to the

funding rate provided in the prior year's budgetary legislation. The Proposed 2020-21 Budget also includes an additional \$250 million in ongoing Proposition 98 funding based on the number of children between ages three and five with exceptional needs. Funding would be allocated on a one-time basis to school districts based on the number of preschool-age children with disabilities.

- *Educator Recruitment and Professional Development* - \$900 million in one-time Proposition 98 funding for six initiatives aimed at improving school employee training, recruitment and retention.
- *Community Schools* - \$300 million in one-time Proposition 98 funding to implement community school models which typically integrate health, mental health and other services for students and families and provides these services directly on school campuses.
- *Opportunity Grants* - \$300 million in one-time Proposition 98 funding to establish opportunity grants for low-performing schools and school districts and to expand the Statewide system of support therefor.
- *Computer Science* - \$15 million in one-time Proposition 98 funding for grants to local educational agencies to support K-12 teachers earning a supplemental authorization to their teaching credential to teach computer science. The Proposed 2020-21 Budget also provides \$2.5 million in one-time Proposition 98 funding for county offices of education to identify, compile and share resources for computer science professional development, curriculum and best practices.
- *School Nutrition* - \$60 million in Proposition 98 funding to increase funding for school nutrition. Additionally, the Proposed 2020-21 Budget includes \$10 million in Proposition 98 funding to provide training for school food service workers.
- *School Facilities* – \$400 million in one-time, non-Proposition 98 funding for eligible school districts to construct new, or to retrofit existing, facilities for full-day kindergarten programs.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2020-21 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy ad valorem property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

SALINAS UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District is a public school district established in 1868. The District is located in Monterey County and provides public education within an approximately 250 square mile area, including the City of Salinas and certain unincorporated areas of the County. The District operates four middle schools, five high schools, one continuation school, one adult education school, a regional occupational program and an independent study program. The District has budgeted for a fiscal year 2019-20 ADA of 15,306 students, and the District has a fiscal year 2019-20 assessed valuation of \$17,808,158,022.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Salinas Union High School District, 431 West Alisal St., Salinas, CA 93901, attention: Manager of Business Services/CBO.

Administration

District Board. The District is governed by a seven-member Board, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The members of the Board, together with their office and the date their term expires, are listed in the following table:

BOARD OF TRUSTEES Salinas Union High School District

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Sandra Ocampo	President	November 2020
Phillip Tabera	Vice President	November 2022
Kristina Szaszy-Jones	Clerk	November 2022
Carlos Rubio	Trustee	November 2022
Patty Padilla-Salsberg	Trustee	November 2020
Jorge Rojas	Trustee	November 2020
Anthony Rocha	Trustee	November 2022

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dan Burns is the Superintendent of the District. Brief biographies of the Superintendent and the Manager of Business Services/CBO follow:

Dan Burns, Superintendent. Mr. Burns was appointed Superintendent in July 2017. Just prior to this appointment, Mr. Burns served as Superintendent of Jefferson Union High School District ("Jefferson UHSD") for fiscal year 2016-17. Before accepting the position at Jefferson UHSD, Mr. Burns served in the District for 25 years in a variety of roles, as Associate Superintendent for Instructional Services,

Principal, Assistant Principal, Counselor, Teacher and Coach. He was named High School Principal of the Year in 2011 by the Association of California School Administrators, and Curriculum and Instruction Superintendent of the year in 2016. He received his Master’s Degree in Educational Leadership and Administration from San Jose State University.

Ana Aguillon, Manager of Business Services/CBO. Ms. Aguillon was appointed Interim Manager of Business Services/CBO in July 2014 and was made the Manager of Business Services/CBO in April 2015. Ms. Aguillon joined the District as an accountant in September 2001 and was appointed Manager of Fiscal Services in January 2011. She received her Associate’s Degree from Heald Business College.

Average Daily Attendance and Enrollment

The following table reflects the ADA and enrollment for the District for the last ten years and a projection for 2019-20.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Fiscal Years 2009-10 through 2019-20
Salinas Union High School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u> ⁽¹⁾	<u>Annual Change In ADA</u>	<u>Enrollment</u> ⁽²⁾
2009-10	12,691.24	--	13,478
2010-11	12,845.87	154.63	13,289
2011-12	12,884.23	38.36	13,484
2012-13	13,053.76	169.53	14,101
2013-14	13,098.72	44.96	13,905
2014-15	13,505.24	406.52	14,437
2015-16	13,882.47	377.23	14,691
2016-17	14,285.38	402.91	15,040
2017-18	14,640.77	355.39	15,631
2018-19	14,938.97	298.20	15,818
2019-20 ⁽³⁾	15,306.15	367.18	16,256

⁽¹⁾ Except for fiscal year 2019-20, reflects final funded P-2 ADA in each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

⁽²⁾ Fiscal years 2009-10 through 2012-13 reflect enrollment as of the October CBEDS report. Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. CALPADS figures excludes preschool and adult transitional students. SEE – “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.

⁽³⁾ Projected.

Source: Salinas Union High School District.

Labor Relations

The District currently employs 964 full-time equivalent (“FTE”) certificated employees and 764 FTE classified and management employees. Of those FTE, approximately 328 employees hold positions defined as part time. District employees, except management and some part-time employees, are represented by the two bargaining units as noted in the table below:

**BARGAINING UNITS
Salinas Union High School District**

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
California School Employees Association, Chapter 547	646	June 30, 2019 ⁽¹⁾
Salinas Valley Federation of Teachers, AFT Local 1020	922	June 30, 2018 ⁽¹⁾

⁽¹⁾ Employees continue working under terms of the expired contracts.
Source: Salinas Union High School District.

District Retirement Programs

The information set forth below regarding the District’s retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District, Municipal Advisor or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “STRS Defined Benefit Program”). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS.

Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See also “DISTRICT FINANCIAL INFORMATION – State Budget” herein.

The District’s contributions to STRS were \$5,740,072, \$11,793,703, \$14,828,799, \$18,161,227, and \$21,491,485 in fiscal years 2014-15, 2015-16, 2016-17, 2017-18, and 2018-19, respectively. The District currently projects \$23,530,012 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the “SBPA”), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2018 included 1,579 public agencies and 1,313 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20. See “—California Public Employees’ Pension Reform Act of 2013” herein.

Pursuant to SB 90, the State Legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees’ Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school

district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 is 19.721%. See also “DISTRICT FINANCIAL INFORMATION – State Budget” herein.

The District’s contributions to PERS \$2,382,050, \$2,568,416, \$3,253,054, \$3,870,343, and \$4,783,171 in fiscal years 2014-15, 2015-16, 2016-17, 2017-18, and 2018-19, respectively. The District currently projects \$5,893,062 for its contribution to PERS for fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2017-18

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the “2018 STRS Actuarial Valuation”) reports that the unfunded actuarial obligation decreased by \$109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution

requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The Schools Pool Actuarial Valuation as of June 30, 2018 (the “2018 PERS Actuarial Valuation”), reported that the contribution rate for 2020-21 is projected to be 22.8%, with annual increases thereafter, resulting in a projected 26.7% employer contribution rate for fiscal year 2026-27. The projected contribution rates reflect a 6.7% investment return reduced by estimated administrative expenses for fiscal year 2018-19 and the anticipated decrease in normal cost due to new hires entering lower benefit formulas under the Reform Act, as well as the additional \$904 million contributed by the State in July 2019 pursuant to SB 90. As reported in the 2018 PERS Actuarial Valuation, the funded status for the Schools Pool decreased by 1.7% from June 30, 2017 to June 30, 2018, primarily due to increases in liability resulting from the decrease in the discount rate, discussed above, and the new actuarial valuation system, partially offset by the investment return in fiscal year 2017-18 being greater than expected.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62

and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

Other Postemployment Benefits

Benefit Plan and Funding Policy. The District provides supplemental postemployment health care benefits (the “OPEB”) to eligible employees who retire from the District on or after attaining age 55 (to age 65) with at least 15 years of service to the District. As of July 1, 2019, 91 retirees and dependents met these eligibility requirements and were OPEB recipients, and the OPEB plan had 1,434 active members.

The District currently finances the OPEB on a “pay-as-you-go” basis. The District’s contributions to the OPEB were \$2,548,666. in fiscal year 2013-14, \$794,349 in fiscal year 2014-15, \$747,798 in fiscal year 2015-16, \$820,532 in fiscal year 2016-17 and \$1,313,024 in fiscal year 2017-18 (all of which was used for current premiums). The District’s 2018-19 OPEB contribution was \$1,365,545, and the District has budgeted \$783,509 for its OPEB contribution for fiscal year 2019-20.

Accrued Liability. The District has implemented GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions (“GASB Statement No. 74”) and Governmental Accounting Standards Board Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB Statement No. 75”), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study, dated July 30, 2019 (the “Study”) and with a measurement date of June 30, 2019 and valuation date of June 30, 2018, concluded that the Total OPEB Liability (the “TOL”) with respect to such Benefits was \$35,139,777, the Fiduciary Net Position (the “FNP”) of the OPEB Trust was \$0, and the Net OPEB Liability (the “NOL”) was \$35,139,777. For more information regarding the District’s other post-employment benefit liability, see “APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR SALINAS UNION HIGH SCHOOL DISTRICT DATED JUNE 30, 2019 – Note 10” attached hereto.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statements No. 43 and 57 and Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the net OPEB Liability (NOL), to be recognized on the balance sheet of the plan and the participating employer’s financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan’s net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the total OPEB liability (the TOL), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (FNP) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time. See also “APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR SALINAS UNION HIGH SCHOOL DISTRICT DATED JUNE 30, 2019” attached hereto.

Risk Management and Joint Powers Authorities

The District participates in three joint power authorities (each a “JPA”), the Monterey and San Benito Counties Liability/Property JPA (“MSBLP”), the Monterey Educational Risk Management Authority (“MERMA”) and the Monterey County Schools Insurance Group (“MCSIG”).

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 pays an annual premium to the applicable entity for its health, workers’ compensation, and property 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.

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

The District has contracted with MCSIG to provide employee health benefits. MCSIG is a shared risk pool. 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.

The relationship between the District and the JPA is such that the JPA is not a component unit of the District. 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. During the year ended June 30, 2019, the District made payments of \$14,074,111 to MCSIG for health benefits, \$3,256,166 to MCSWC for workers' compensation, and \$1,149,047 to MSBCLP for property and liability coverage.

For more information, see “APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR SALINAS UNION HIGH SCHOOL DISTRICT DATED JUNE 30, 2019 – Note 15” attached hereto.

District Debt Structure

Short-Term Debt. Currently, the District has no short-term debt obligations.

Long-Term Obligations. A schedule of changes in long-term debt for the fiscal year ended June 30, 2019, is shown below:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Current Interest Bonds				
2014A Bonds	\$36,150,000	--	\$2,700,000	\$33,450,000
2017 Refunding Bonds	16,740,000	--	6,115,000	10,625,000
Capital Appreciation Bonds				
2002A Bonds				
Original Denomination	4,453,928	--	--	4,453,928
Accreted Interest	6,045,868	599,526	--	6,645,394
2014A Bonds				
Original Denomination	1,750,149	--	--	1,750,149
Accreted Interest	263,496	45,185	--	308,681
Bond Premiums	3,276,542	--	159,643	3,116,899
2015 Notes				
Original Denomination	44,998,099	--	--	44,998,099
Accreted Interest	3,127,041	1,033,240	--	4,160,281
Capital Lease	19,272,141	--	654,598	18,617,543
Compensated Absences	1,502,855	89,929	--	1,592,784
OPEB Liability	<u>31,557,830</u>	<u>4,594,205</u>	<u>--</u>	<u>36,152,035</u>
Total	<u>\$169,137,949</u>	<u>\$6,362,085</u>	<u>\$9,629,241</u>	<u>\$165,870,793</u>

Source: The Salinas Union High School District.

Bond Anticipation Notes. On November 23, 2015, the District issued its 2015 Notes in an aggregate denominational amount of \$44,998,098.75. The 2015 Notes mature on August 1, 2020 and accrete interest at a rate of 2.120%. The 2015 Notes were issued to repair, upgrade, acquire, construct and equip certain District sites and facilities, in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the 2014 Authorization. The 2015 Notes are an obligation of the District payable from the future sale of such additional general obligation bonds issued pursuant to the Authorization, or from certificates of participation or other funds of the District lawfully available for the purpose of paying such 2015 Notes, including State grants. Interest thereon may also be payable from an *ad valorem* property tax lawfully levied to pay such interest.

Following the application of the proceeds of the Bonds, as described in “THE BONDS – Application and Investment of Bond Proceeds”, the 2015 Notes will be defeased and all obligations of the District with respect thereto will cease.

General Obligation Bonds. On March 5, 2002, the voters of the District authorized the issuance of not-to-exceed \$52,000,000 of general obligation bonds of the District (the “2002 Authorization”). On June 19, 2002, the District caused the issuance of the first series of bonds under the 2002 Authorization in an aggregate principal amount of \$35,000,000 (the “2002A Bonds”). On August 29, 2006, the District caused the issuance of the second series of bonds under the 2002 Authorization in an aggregate principal

amount of \$17,000,000 (the “2006B Bonds”), and \$27,126,883.65 of its 2002 Election General Obligation Bonds, 2006 Refunding Series C (the “2006C Refunding Bonds”). On March 15, 2017, the District issued \$22,540,000 of its 2017 General Obligation Refunding Bonds (the “2017 Refunding Bonds”) to refund certain of the outstanding maturities of the 2006B Bonds and the 2006C Refunding Bonds.

On November 4, 2014, the voters of the District authorized the issuances of not-to-exceed \$128,000,000 of general obligations bonds of the District (the “2014 Authorization”). On November 23, 2015, the District caused the issuance of the first series of bonds under the 2014 Authorization in an aggregate principal amount of \$44,995,148.90 (the “2014A Bonds”). The Bonds will be second series of bonds issued under the 2014 Authorization.

GENERAL OBLIGATION BOND DEBT
Salinas Union High School District⁽¹⁾

Year Ending <u>August 1</u>	<u>2014A Bonds⁽²⁾</u>	2017 <u>Refunding Bonds</u>	<u>The Bonds</u>	<u>Total Annual Debt Service</u>
2020	\$4,614,650.00	\$1,013,375.00		
2021	1,144,400.00	1,008,125.00		
2022	1,144,400.00	1,011,625.00		
2023	1,144,400.00	1,013,375.00		
2024	1,144,400.00	1,008,375.00		
2025	1,144,400.00	1,011,875.00		
2026	1,144,400.00	1,008,375.00		
2027	1,144,400.00	1,018,125.00		
2028	1,144,400.00	1,015,375.00		
2029	1,144,400.00	1,018,525.00		
2030	1,604,400.00	1,019,619.00		
2031	1,669,400.00	1,011,791.00		
2032	1,734,400.00	--		
2033	1,804,400.00	--		
2034	1,879,400.00	--		
2035	1,954,400.00	--		
2036	2,029,400.00	--		
2037	2,110,150.00	--		
2038	2,194,650.00	--		
2039	2,282,400.00	--		
2040	2,377,900.00	--		
2041	2,470,400.00	--		
2042	2,570,800.00	--		
2043	2,674,600.00	--		
2044	2,781,400.00	--		
2045	2,890,800.00	--		
2046	3,007,400.00	--		
2047	3,125,600.00	--		
2048	3,250,000.00	--		
2049	<u>3,380,000.00</u>	--		
Total	<u>\$62,706,150.00</u>	<u>\$12,158,559.00</u>		

⁽¹⁾ Semi-annual interest payments thereon are due each February 1 and August 1. Principal thereof payable on August 1 of each year.

⁽²⁾ 2014A Bonds issued as Current Interest and Capital Appreciation Bonds. Figure represents original denominational amount of \$1,750,148.90 for the Capital Appreciation Bonds and a Principal Amount of \$43,245,000.00 for the Current Interest Bonds. Final maturity value of the Capital Appreciation Bonds is equal to \$3,780,000.00.

Source: *The Salinas Union High School District.*

Capital Lease. The District entered into an agreement to lease various pieces of solar equipment as of December 15, 2017 (the “Capital Lease”) in the amount of \$19,272,141 with an interest rate of 2.830%. The District’s future lease payments for the Capital Lease are listed in the following table:

**Capital Lease Payments
Salinas Union High School District**

Year Ending <u>(June 30)</u>	<u>Lease Payments</u>
2020	\$1,200,000.00
2021	1,200,000.00
2022	1,200,000.00
2023	1,572,089.18
2024	1,572,089.18
2025-29	7,860,445.90
2030-34	<u>7,860,445.90</u>
TOTAL	<u>\$22,465,070.16</u>
Less Interest Paid	(4,520,651.10)
Total Principal Due	<u>\$17,944,419.06</u>

Source: The Salinas Union High School District.

Middle Schools Improvement District General Obligation Bonds. The District formed the Middle Schools Improvement District (the “Improvement District”) by resolution on July 30, 2002. At an election on November 5, 2002 (the “2002 Improvement District Authorization”), the voters of the Improvement District authorized the issuance of not-to-exceed \$37,000,000 of general obligation bonds. On April 10, 2003, the District caused the issuance of the first series of bonds under the 2002 Improvement District Authorization in an aggregate principal amount of \$28,498,927.50 (the “Improvement District 2002A Bonds”). On August 29, 2006, the District issued its 2006 General Obligation Refunding Bonds (the “Improvement District 2006 Refunding Bonds”) in an aggregate amount of \$18,222,866.20. Proceeds from the sale of the Improvement District 2006 Refunding Bonds were used to refund a portion of the outstanding Improvement District 2002A Bonds. The following table summarizes the annual debt service requirements for the Improvement District general obligation bonds.

**GENERAL OBLIGATION BONDED DEBT
Salinas Union High School District
Middle Schools Improvement District**

Year Ending <u>October 1</u>	Improvement District 2002A <u>Bonds</u>
2020	--
2021	--
2022	--
2023	--
2024	\$2,885,000.00
2025	2,990,000.00
2026	3,095,000.00
2027	3,210,000.00
2028	<u>3,325,000.00</u>
TOTAL	<u>\$15,505,000.00</u>

Source: The Salinas Union High School District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owners of the Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Internal Revenue Code of 1986, as amended (the “Code”) might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner’s basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO

OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds are attached hereto as Appendix A.

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a

chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Security and Sources of Payment” herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – MONTEREY TREASURY POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights. The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights

LEGAL MATTERS

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the State Government Code, are eligible for security for deposits of public moneys in the State.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including the Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or of the notices of listed events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has not failed to timely file annual reports and financial and operating information, as required by its prior continuing disclosure undertakings pursuant to the Rule. Within the past five years, the District failed to file in a timely manner certain material event notices, as required by such prior continuing disclosure undertakings.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District’s ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District’s ability to issue and retire the Bonds.

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2019, the independent auditor's report of the District, the related statements of activities and cash flows for the year then ended, and the report dated December 15, 2019 of Eide Bailly LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

Ratings on the Bonds. The Bonds have been assigned a rating of "Aa2" by Moody's and "A+" by S&P. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption "LEGAL MATTERS – Continuing Disclosure" above and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from Moody's prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to Moody's, its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

Underwriting

RBC Capital Markets, LLC (the “Underwriter”), has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$_____ (consisting of the principal amount thereof, plus original issue premium of \$_____, less an underwriting discount of \$_____).

The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds.

SALINAS UNION HIGH SCHOOL DISTRICT

By: _____
Dan Burns
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

Upon the issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

_____, 2020

Board of Trustees
Salinas Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Salinas Union High School District (Monterey County, California) Election of 2014 General Obligation Bonds, Series B (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”), commencing with Section 53506 *et seq.*, a vote of 55% of the qualified electors of the Salinas Union High School District (the “District”) voting at an election held on November 4, 2014, and a resolution of the Board of Trustees of the District adopted on February 25, 2020 (the “Resolution”).

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner’s basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal

income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX B

**AUDITED FINANCIAL STATEMENTS FOR SALINAS UNION HIGH SCHOOL DISTRICT
DATED JUNE 30, 2019**

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Annual Financial Statements

June 30, 2019

Salinas Union High School District

SALINAS UNION HIGH SCHOOL DISTRICT

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SALINAS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salinas Union High School District
Salinas, California

Report on the Financial Statements

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas Union High School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 71, schedule of the District's proportionate share of the net pension liability on page 72, and the schedule of District contributions on page 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of the Salinas Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salinas Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas Union High School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fresno, California
December 15, 2019

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Salinas Union High School District

This section of Salinas Union High School District's (2018-2019) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, and 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 Salinas Union High School District (the "District") using the integrated approach as prescribed by GASB Statement Number 34.

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

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

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

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$38.3 million for the fiscal year ended June 30, 2019, and \$45.5 million for the fiscal year ended June 30, 2018, a decrease of \$7.2 million. Of this amount, \$19.2 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Table 1

(Dollar amounts in millions)	Governmental Activities		
	2019	2018	Variance
Assets			
Current and other assets	\$ 104.5	\$ 144.7	\$ (40.2)
Capital assets (Net of accumulated depreciation)	250.8	211.9	38.9
Total Assets	<u>355.3</u>	<u>356.6</u>	<u>(1.3)</u>
Deferred Outflows of Resources	<u>61.0</u>	<u>61.6</u>	<u>(0.6)</u>
Liabilities			
Current liabilities	19.2	19.6	(0.4)
Long-term obligations	165.9	169.1	(3.2)
Net pension liability	185.7	177.6	8.1
Total Liabilities	<u>370.8</u>	<u>366.3</u>	<u>4.5</u>
Deferred Inflows of Resources	<u>7.2</u>	<u>6.4</u>	<u>0.8</u>
Net Position			
Net investment in capital assets	148.9	124.9	24.0
Restricted	19.2	25.4	(6.2)
Unrestricted	(129.8)	(104.8)	(25.0)
Total Net Position	<u>\$ 38.3</u>	<u>\$ 45.5</u>	<u>\$ (7.2)</u>

The \$38.3 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$6.2 million.

Changes in Net Position

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

SALINAS UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Table 2

(Dollar amounts in millions)	Governmental Activities		
	2019	2018	Variance
Revenues			
Program revenues:			
Charges for services	\$ 2.4	\$ 2.1	\$ 0.3
Operating grants and contributions	38.2	31.1	7.1
General revenues:			
Federal and State aid not restricted	135.9	121.1	14.8
Property taxes	42.2	45.7	(3.5)
Other general revenues	8.3	7.9	0.4
Total Revenues	<u>227.0</u>	<u>207.9</u>	<u>19.1</u>
Expenses			
Instruction-related	162.7	148.1	14.6
Pupil services	33.4	31.8	1.6
Administration	10.5	9.5	1.0
Plant services	19.0	19.3	(0.3)
Other	8.6	7.5	1.1
Total Expenses	<u>234.2</u>	<u>216.2</u>	<u>18.0</u>
Change in Net Position	<u>\$ (7.2)</u>	<u>\$ (8.3)</u>	<u>\$ 1.1</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$234.2 million, as compared to \$216.2 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$42.2 million because the cost was paid by those who benefited from the programs (\$2.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$38.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$135.9 million in unrestricted Federal and State funds and \$8.3 million in other revenues, like interest and general entitlements.

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

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Table 3

(Dollar amounts in millions)

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 162.7	\$ 134.6	\$ 148.1	\$ 126.0
Pupil services	33.4	24.0	31.8	24.2
Administration	10.5	9.2	9.5	8.1
Plant services	19.0	18.2	19.3	18.2
All other services	8.6	7.6	7.5	6.5
Total	\$ 234.2	\$ 193.6	\$ 216.2	\$ 183.0

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$85.2 million while the prior year reported \$125.1 million, which is a decrease of \$39.9 million (Table 4).

Table 4

(Dollar amounts in millions)

	Balances		
	June 30, 2019	June 30, 2018	Variance
Major Governmental Funds			
General	\$ 53.2	\$ 67.6	\$ (14.4)
Building	15.1	33.6	(18.5)
Non-Major Governmental Funds			
Adult Education	- ¹	- ¹	-
Cafeteria	8.7	9.1	(0.4)
Deferred Maintenance	0.2	1.4	(1.2)
Capital Facilities	1.7	2.0	(0.3)
Special Reserve Capital Projects	0.1	0.1	-
Bond Interest and Redemption	6.2	11.3	(5.1)
Total	\$ 85.2	\$ 125.1	\$ (39.9)

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

The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased from \$67.6 million to \$53.2 million due primarily to expenditures for the District's solar energy project. The decrease in Building Fund of \$18.5 million is primarily due to construction costs for the new high school. The non-major governmental funds decreased by about \$7.0 million in total, primarily due to a decrease in the Bond Interest and Redemption Fund in which debt payments exceeded local tax revenues for current required debt service.

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 25, 2019. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District projected a decrease in fund balance of approximately \$13.5 million. Although revenues and transfers in were \$2.1 million more than expected, expenditures and transfers out were \$2.9 million less than expected, resulting in a decrease to the fund of \$14.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$211.9 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2019, the District's net capital assets were \$250.8 million. This amount represents a net increase (including additions, deductions and depreciation) of \$38.9 million from last year (Table 5).

Table 5

(Dollar amounts in millions)

	Governmental Activities		
	2019	2018	Variance
Land and construction in process	\$ 154.6	\$ 114.5	\$ 40.1
Land improvements	6.2	6.4	(0.2)
Buildings and improvements	84.3	86.2	(1.9)
Furniture and equipment	5.7	4.8	0.9
Total	\$ 250.8	\$ 211.9	\$ 38.9

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

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$165.9 million in obligations outstanding versus \$169.1 million last year, a decrease of \$3.2 million. The long-term obligations of the District include the following:

Table 6

(Dollar amounts in millions)

	Governmental Activities		
	2019	2018	Variance
General obligation bonds	\$ 60.3	\$ 68.6	\$ (8.3)
Bond anticipation notes	49.2	48.1	1.1
Compensated absences	1.6	1.5	0.1
Capital leases	18.6	19.3	(0.7)
Other postemployment benefits	36.2	31.6	4.6
Total	\$ 165.9	\$ 169.1	\$ (3.2)

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

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

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of \$185.7 versus \$177.6 last year, an increase of \$8.1 million, or 4.5 percent. The District also reported deferred outflows of resources from pension activities of \$59.9 million, and deferred inflows of resources from pension activities of \$7.2 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

SALINAS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FOR THE FUTURE

The State of California continues to financially support schools through the Local Control Funding Formula (LCFF). The LCFF uses a three-tier calculation involving base grants plus supplemental grants and concentration grants. Supplemental and Concentration grants are unique to each district as they are based on unduplicated count of English Learners, Foster Youth and pupils approved for Free/Reduced price meals. The District's unduplicated count equals 76.20 percent. The Governor is fully funding the LCFF in 2018-2019; two years earlier than planned. The 2019-2020 increase for the District is 3.68 percent; net increase per ADA is \$406.76.

As with the proposed budget, the Governor warns that California will soon face an economic downturn, noting that California's economic recovery has lasted four years longer than average and that "now is a time to save; not to make pricey promises we can't keep".

Recognizing the fiscal challenges, district management will need to implement pro-active measures to protect the district's financial health and maintain a healthy reserve. District management continues to review existing expenses and look for ways of reducing ongoing expenses while limiting the impact in the classroom and on staff. District is also taking the needed steps to maximize all state and federal funding.

Though we are at full implementation of LCFF, the district continues to see its benefits costs rise significantly due to mandated increases in employer contributions to CalSTRS and CalPERS.

The district will continue to closely monitor its current and long term fiscal needs in order to remain fiscally solvent and to ensure a healthy reserve level is maintained.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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SALINAS UNION HIGH SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 95,893,629
Receivables	8,505,292
Prepaid Expense	62,904
Stores inventories	26,372
Nondepreciable capital assets	154,643,618
Capital assets being depreciated	252,049,617
Accumulated depreciation	(155,846,174)
Total Assets	<u>355,335,258</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	348,006
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	765,862
Deferred outflows of resources related to pensions	59,905,415
Total Deferred Outflows of Resources	<u>61,019,283</u>
LIABILITIES	
Overdrafts	1,000,585
Accounts payable	17,478,023
Unearned revenue	804,383
Long-term obligations:	
Current portion of long-term obligations other than pensions	4,748,124
Noncurrent portion of long-term obligations other than pensions	161,122,669
Total Long-Term Obligations	<u>165,870,793</u>
Aggregate net pension liability	185,698,911
Total Liabilities	<u>370,852,695</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>7,181,266</u>
NET POSITION	
Invested in capital assets, net of related debt	148,939,647
Restricted for:	
Debt service	6,167,472
Capital projects	1,726,645
Educational programs	2,597,293
Other activities	8,690,784
Unrestricted	(129,801,261)
Total Net Position	<u>\$ 38,320,580</u>

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

SALINAS UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 129,722,564	\$ 186,186	\$ 22,304,368
Instruction-related activities:			
Supervision of instruction	19,550,696	35,501	4,649,857
Instructional library, media and technology	1,184,981	-	102,853
School site administration	12,290,663	22,421	808,767
Pupil services:			
Home-to-school transportation	7,815,476	14,511	183,086
Food services	6,829,740	1,880,527	3,745,493
All other pupil services	18,738,193	33,585	3,577,173
General administration:			
Data processing	2,357,848	-	59,657
All other general administration	8,157,842	105,712	1,161,332
Plant services	18,960,753	123,034	625,462
Ancillary services	1,176,253	-	35,474
Community services	79,290	-	-
Interest on long-term obligations	4,381,004	-	-
Other outgo	2,961,542	-	938,533
Total Governmental-Type Activities	\$ 234,206,845	\$ 2,401,477	\$ 38,192,055
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Transfers between agencies			
Miscellaneous			
Subtotal, General Revenues			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
\$ (107,232,010)
(14,865,338)
(1,082,128)
(11,459,475)
(7,617,879)
(1,203,720)
(15,127,435)
(2,298,191)
(6,890,798)
(18,212,257)
(1,140,779)
(79,290)
(4,381,004)
(2,023,009)
<u>(193,613,313)</u>
36,255,583
5,764,114
194,077
135,915,081
1,330,875
105,776
6,910,889
<u>186,476,395</u>
(7,136,918)
45,457,498
<u>\$ 38,320,580</u>

SALINAS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>
ASSETS			
Deposits and investments	\$ 64,051,909	\$ 14,616,546	\$ 17,225,174
Receivables	7,060,620	273,113	1,171,559
Due from other funds	339,620	541,768	923,354
Prepaid expenditures	52,005	-	10,899
Stores inventories	-	-	26,372
Total Assets	<u>\$ 71,504,154</u>	<u>\$ 15,431,427</u>	<u>\$ 19,357,358</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ 1,000,585
Accounts payable	16,598,010	291,940	588,073
Due to other funds	923,354	35,283	846,105
Unearned revenue	767,033	-	37,350
Total Liabilities	<u>18,288,397</u>	<u>327,223</u>	<u>2,472,113</u>
FUND BALANCES			
Nonspendable	78,105	-	37,271
Restricted	2,597,293	15,104,204	16,547,630
Committed	-	-	247,207
Assigned	20,094,016	-	53,137
Unassigned	30,446,343	-	-
Total Fund Balances	<u>53,215,757</u>	<u>15,104,204</u>	<u>16,885,245</u>
Total Liabilities and Fund Balances	<u>\$ 71,504,154</u>	<u>\$ 15,431,427</u>	<u>\$ 19,357,358</u>

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

**Total
Governmental
Funds**

\$ 95,893,629
8,505,292
1,804,742
62,904
26,372
\$ 106,292,939

\$ 1,000,585
17,478,023
1,804,742
804,383
21,087,733

115,376
34,249,127
247,207
20,147,153
30,446,343
85,205,206

\$ 106,292,939

SALINAS UNION HIGH SCHOOL DISTRICT

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

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

Total Fund Balance - Governmental Funds	\$ 85,205,206
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	\$406,693,235
Accumulated depreciation is	<u>(155,846,174)</u>
Total capital assets	250,847,061
Pension contributions subsequent to measurement date	19,119,034
Net change in proportionate share of net pension liability	10,599,869
Difference between projected and actual earnings on pension plan investments	412,449
Differences between expected and actual experience in the measurement of the total pension liability.	3,716,400
Changes of assumptions	<u>26,057,663</u>
Total Deferred Outflows of Resources Related to Pensions	59,905,415
Difference between projected and actual earnings on pension plan investments	(5,214,300)
Differences between expected and actual experience in the measurement of the total pension liability.	<u>(1,966,966)</u>
Total Deferred Inflows of Resources Related to Pensions	(7,181,266)
Deferred outflows of resources related to OPEB of amounts related to the change of assumptions.	765,862
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(185,698,911)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	348,006

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

SALINAS UNION HIGH SCHOOL DISTRICT

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

Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

General obligation bonds	\$ 50,279,077
Bond anticipation notes	44,998,099
Bond premiums	3,116,899
Compensated absences	1,592,784
Capital lease obligations	18,617,543
Other postemployment benefits (OPEB) liability	36,152,035

In addition, the District has issued 'capital appreciation' general obligation bonds and bond anticipation notes. The accretion of interest unmatured on the general obligation bonds and bond anticipation notes to date is:

11,114,356

Total long-term obligations

\$ (165,870,793)

Total Net Position - Governmental Activities

\$ 38,320,580

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

SALINAS UNION HIGH SCHOOL DISTRICT

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>
REVENUES			
Local Control Funding Formula	\$ 164,214,567	\$ -	\$ 1,505,211
Federal sources	10,784,009	-	4,206,327
Other state sources	27,399,664	-	2,052,389
Other local sources	10,716,269	548,415	8,735,986
Total Revenues	<u>213,114,509</u>	<u>548,415</u>	<u>16,499,913</u>
EXPENDITURES			
Current			
Instruction	117,544,729	-	1,616,808
Instruction-related activities:			
Supervision of instruction	18,355,180	-	471,650
Instructional library, media and technology	1,135,124	-	-
School site administration	11,051,658	-	444,510
Pupil Services:			
Home-to-school transportation	7,361,359	-	-
Food services	12,907	-	6,378,192
All other pupil services	17,921,859	-	213,900
General administration:			
Data processing	2,244,934	-	-
All other general administration	7,027,747	-	497,019
Plant services	16,288,202	656,822	539,914
Ancillary services	1,144,698	-	-
Community services	79,290	-	-
Other outgo	2,961,542	-	-
Facility acquisition and construction	23,188,822	18,393,267	2,405,022
Debt service			
Principal	654,598	-	8,815,000
Interest and other	545,402	-	2,128,650
Total Expenditures	<u>227,518,051</u>	<u>19,050,089</u>	<u>23,510,665</u>
NET CHANGE IN FUND BALANCES	(14,403,542)	(18,501,674)	(7,010,752)
Fund Balance - Beginning	67,619,299	33,605,878	23,895,997
Fund Balance - Ending	<u>\$ 53,215,757</u>	<u>\$ 15,104,204</u>	<u>\$ 16,885,245</u>

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

Total Governmental Funds	
\$	165,719,778
	14,990,336
	29,452,053
	<u>20,000,670</u>
	<u>230,162,837</u>
	 119,161,537
	 18,826,830
	 1,135,124
	11,496,168
	 7,361,359
	6,391,099
	18,135,759
	 2,244,934
	7,524,766
	17,484,938
	1,144,698
	79,290
	2,961,542
	43,987,111
	 9,469,598
	<u>2,674,052</u>
	<u>270,078,805</u>
	(39,915,968)
	<u>125,121,174</u>
\$	<u><u>85,205,206</u></u>

SALINAS UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ (39,915,968)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation in the period.

Capital outlays	\$ 45,821,811	
Depreciation expense	(6,918,267)	
Net Expense Adjustment		38,903,544

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds and bond anticipation notes. (1,677,951)

In the Statement of Activities, compensated absences (vacations and compensation time), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned was more than the amounts used by \$89,929. (89,929)

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. (10,128,511)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (3,828,343)

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

SALINAS UNION HIGH SCHOOL DISTRICT

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

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Discount amortization during the year was:

Amortization of premiums	\$ 159,643
Amortization of deferred amount on refunding	(29,001)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	8,815,000
Capital lease obligations	654,598

Change in Net Position of Governmental Activities	\$ (7,136,918)
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The accompanying notes are an integral part of these financial statements.

SALINAS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Private-Purpose Trust Scholarships</u>	<u>Agency Student Body</u>
ASSETS		
Deposits and investments	\$ 230,021	\$ 1,143,087
Receivables	1,140	-
Total Assets	<u>\$ 231,161</u>	<u>\$ 1,143,087</u>
LIABILITIES		
Accounts payable	\$ 2,400	\$ -
Due to student groups	-	1,143,087
Total Liabilities	<u>2,400</u>	<u>\$ 1,143,087</u>
NET POSITION		
Restricted for scholarships	<u>\$ 228,761</u>	

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

SALINAS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Private-Purpose Trust Scholarships
ADDITIONS	
Contributions	\$ 32,300
Interest	5,046
Total Additions	<u>37,346</u>
DEDUCTIONS	
Scholarships awarded	<u>27,280</u>
Change in Net Position	10,066
Net Position - Beginning	218,695
Net Position - Ending	<u><u>\$ 228,761</u></u>

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in fund balance of \$24,922,231.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Non-Major Governmental Funds

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

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

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

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

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

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

Special Reserve 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).

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is the Scholarship Private Purpose Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Investments

Investments held at June 30, 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 county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

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 estimated fair market value on the date donated.

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund Balances

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

Compensated Absences

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

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

Accounts Payable and Long-Term Obligations

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

Debt Premiums

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

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

Deferred Outflows/Inflows of Resources

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 or manager of business services may assign amounts for specific purposes.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$19,182,194 of restricted net position.

Estimates

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

Property Tax

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

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	\$ 95,893,629
Less overdrafts	1,000,585
Net governmental activities	<u>94,893,044</u>
Fiduciary funds	1,373,108
Total Deposits and Investments	<u><u>\$ 96,266,152</u></u>

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

Cash on hand and in banks	\$ 1,204,379
Cash with Fiscal Agent	1,058,904
Cash in revolving	21,600
Cash collections awaiting deposit	11,133
Investments	<u>93,970,136</u>
Total Deposits and Investments	<u><u>\$ 96,266,152</u></u>

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of \$1,000,585.

Policies and Practices

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

General Authorizations

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

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

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 93,862,070	\$ -	\$ 93,862,070	\$ -	\$ -

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, \$1,069,310 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Federal Government					
Categorical aid	\$ 4,234,931	\$ -	\$ 905,556	\$ 5,140,487	\$ -
State Government					
State grants and entitlements	2,062,169	-	178,534	2,240,703	-
Local Sources	763,520	273,113	87,469	1,124,102	1,140
Total	<u>\$ 7,060,620</u>	<u>\$ 273,113</u>	<u>\$ 1,171,559</u>	<u>\$ 8,505,292</u>	<u>\$ 1,140</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 33,659,214	\$ -	\$ -	\$ 33,659,214
Construction in progress	80,909,535	42,433,143	2,358,274	120,984,404
Total Capital Assets Not Being Depreciated	<u>114,568,749</u>	<u>42,433,143</u>	<u>2,358,274</u>	<u>154,643,618</u>
Capital Assets being depreciated				
Land improvements	37,355,766	762,398	-	38,118,164
Buildings and improvements	195,016,672	3,097,433	-	198,114,105
Furniture and equipment	13,930,237	1,887,111	-	15,817,348
Total Capital Assets Being Depreciated	<u>246,302,675</u>	<u>5,746,942</u>	<u>-</u>	<u>252,049,617</u>
Less Accumulated Depreciation				
Land improvements	30,961,854	935,067	-	31,896,921
Buildings and improvements	108,823,547	4,984,463	-	113,808,010
Furniture and equipment	9,142,506	998,737	-	10,141,243
Total Accumulated Depreciation	<u>148,927,907</u>	<u>6,918,267</u>	<u>-</u>	<u>155,846,174</u>
Governmental Activities Capital Assets, Net	<u>\$ 211,943,517</u>	<u>\$ 41,261,818</u>	<u>\$ 2,358,274</u>	<u>\$ 250,847,061</u>

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,113,220
School site administration	276,731
Home-to-school transportation	1,245,288
Food services	553,461
Data processing	345,913
All other general administration	69,183
Plant services	1,314,471
Total Depreciation Expense Governmental Activities	<u><u>\$ 6,918,267</u></u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 339,620	\$ 923,354
Building	541,768	35,283
Total Major Governmental Funds	<u>881,388</u>	<u>958,637</u>
Non-Major Governmental Funds		
Adult Education	923,354	47,560
Cafeteria	-	256,777
Capital Facilities	-	541,768
Total Non-Major Governmental Funds	<u>923,354</u>	<u>846,105</u>
Total All Governmental Funds	<u><u>\$ 1,804,742</u></u>	<u><u>\$ 1,804,742</u></u>

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The General Fund owes the Adult Education Non-Major Governmental Fund for program operations.	\$ 905,211
The General Fund owes the Adult Education Non-Major Governmental Fund for apportionment corrections.	1,091
The General Fund owes the Adult Education Non-Major Governmental Fund for negative interest on deficit cash in county treasury balance.	17,052
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	46,277
The Adult Education Non-Major Governmental Fund owes the General Fund for vehicle charges.	1,283
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	256,095
The Cafeteria Non-Major Governmental Fund owes the General Fund for vehicle charges.	682
The Building Fund owes the General Fund for capital project costs.	35,283
The Capital Facilities Non-Major Governmental Fund owes the Building Fund for capital project costs.	541,768
Total	<u>\$ 1,804,742</u>

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Conferences and lodging	\$ 45,312	\$ -	\$ 45,312
Swimming pool and hazmat permits	6,693	-	6,693
Health permit fees	-	9,641	9,641
Site licensing fees	-	1,258	1,258
Total	<u>\$ 52,005</u>	<u>\$ 10,899</u>	<u>\$ 62,904</u>

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Vendor payables	\$ 6,630,554	\$ 291,940	\$ 390,941	\$ 7,313,435	\$ 2,400
Deferred payroll	7,327,381	-	197,132	7,524,513	-
State apportionment	582,135	-	-	582,135	-
Health insurance	2,057,940	-	-	2,057,940	-
Total	<u>\$ 16,598,010</u>	<u>\$ 291,940</u>	<u>\$ 588,073</u>	<u>\$ 17,478,023</u>	<u>\$ 2,400</u>

NOTE 9 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 266,944	\$ -	\$ 266,944
State categorical aid	116,002	-	116,002
Local assistance	384,087	37,350	421,437
Total	<u>\$ 767,033</u>	<u>\$ 37,350</u>	<u>\$ 804,383</u>

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Current Interest Bonds					
2014 Bonds, Series A	\$ 36,150,000	\$ -	\$ 2,700,000	\$ 33,450,000	\$ 2,980,000
2017 Bonds	16,740,000	-	6,115,000	10,625,000	1,095,000
Capital Appreciation Bonds					
2002 Series A, original denomination	4,453,928	-	-	4,453,928	-
2002 Series A, accreted interest	6,045,868	599,526	-	6,645,394	-
2014 Series A, original denomination	1,750,149	-	-	1,750,149	-
2014 Series A, accreted interest	263,496	45,185	-	308,681	-
Bond premiums	3,276,542	-	159,643	3,116,899	-
Capital Appreciation Bond Anticipation Notes					
2015 original denomination	44,998,099	-	-	44,998,099	-
2015 accreted interest	3,127,041	1,033,240	-	4,160,281	-
Capital lease	19,272,141	-	654,598	18,617,543	673,124
Compensated absences	1,502,855	89,929	-	1,592,784	-
Other postemployment benefits (OPEB) liability	31,557,830	4,594,205	-	36,152,035	-
Total	<u>\$ 169,137,949</u>	<u>\$ 6,362,085</u>	<u>\$ 9,629,241</u>	<u>\$ 165,870,793</u>	<u>\$ 4,748,124</u>

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Bonded Debt

2002 Election, Series A General Obligation Bonds, Measure M

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

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

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

2014 Election, Series A General Obligation Bonds, Measure B

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

General Obligation Refunding Bonds, Series 2017

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

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Year	Interest Rate %	Bonds Outstanding July 1, 2018	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2019
Measure M							
2002 Capital Appreciation							
Series A	4/10/03	2028	5.50-5.60	\$ 10,499,796	\$ 599,526	\$ -	\$ 11,099,322
Measure B							
2014 Capital Appreciation							
Series A	11/23/15	2036	4.25-4.58	2,013,645	45,185	-	2,058,830
2014 Current Interest							
Series A	11/23/15	2050	2.00-5.00	36,150,000	-	2,700,000	33,450,000
Series 2017	3/15/17	2031	3.00-5.00	16,740,000	-	6,115,000	10,625,000
Total				<u>\$65,403,441</u>	<u>\$ 644,711</u>	<u>\$8,815,000</u>	<u>\$ 57,233,152</u>

Debt Service Requirements to Maturity

The bonds mature as follows:

2002 Election, Series A Capital Appreciation Bonds, Measure M

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2024	\$ 2,322,425	\$ 562,575	\$ 2,885,000
2025	2,268,214	721,786	2,990,000
2026	2,215,401	879,599	3,095,000
2027	2,170,602	1,039,398	3,210,000
2028	2,122,680	1,202,320	3,325,000
Total	<u>\$ 11,099,322</u>	<u>\$ 4,405,678</u>	<u>\$ 15,505,000</u>

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2014 Election Series A Current Interest Bonds, Measure B

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 2,980,000	\$ 1,384,150	\$ 4,364,150
2021	3,305,000	1,227,025	4,532,025
2022	-	1,144,400	1,144,400
2023	-	1,144,400	1,144,400
2024	-	1,144,400	1,144,400
2025-2029	-	5,722,000	5,722,000
2030-2034	-	5,722,000	5,722,000
2035-2039	3,040,000	5,507,000	8,547,000
2040-2044	8,090,000	4,110,600	12,200,600
2045-2049	12,785,000	2,014,500	14,799,500
2050	3,250,000	65,000	3,315,000
Total	\$ 33,450,000	\$ 29,185,475	\$ 62,635,475

2014 Election Series A Capital Appreciation Bonds, Measure B

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2031	\$ 289,616	\$ 170,384	\$ 460,000
2032	312,480	212,520	525,000
2033	333,822	256,178	590,000
2034	354,948	305,052	660,000
2035	375,438	359,562	735,000
2036	392,526	417,474	810,000
Total	\$ 2,058,830	\$ 1,721,170	\$ 3,780,000

General Obligation Refunding Bonds, Series 2017

<u>Fiscal Year</u>	<u>Principal</u>	<u>Maturity</u>	<u>Total</u>
2020	\$ 1,095,000	\$ 435,750	\$ 1,530,750
2021	605,000	393,250	998,250
2022	630,000	362,375	992,375
2023	665,000	330,000	995,000
2024	700,000	295,875	995,875
2025-2029	4,055,000	914,700	4,969,700
2030-2031	2,875,000	128,172	3,003,172
Total	\$ 10,625,000	\$ 2,860,122	\$ 13,485,122

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Bond Anticipation Notes

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

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2021	<u>\$ 49,158,380</u>	<u>\$ 516,620</u>	<u>\$ 49,675,000</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,592,784.

Capital Leases

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

Balance, July 1, 2018	\$ 19,272,141
Payments	654,598
Balance, June 30, 2019	<u>\$ 18,617,543</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2020	\$ 1,200,000
2021	1,200,000
2022	1,200,000
2023	1,200,000
2024	1,572,089
2025-2029	7,860,445
2030-2034	7,860,446
2035-2039	1,572,090
Total	<u>23,665,070</u>
Less: Amount Representing Interest	5,047,527
Present Value of Minimum Lease Payments	<u>\$ 18,617,543</u>

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2019, include the following:

Construction in progress	<u><u>\$ 18,352,765</u></u>
--------------------------	-----------------------------

Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 35,139,777	\$ 765,862	\$ 3,923,404
Medicare Premium Payment (MPP) Program	1,012,258	-	(95,061)
Total	<u>\$ 36,152,035</u>	<u>\$ 765,862</u>	<u>\$ 3,828,343</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	65
Active employees	<u>1,306</u>
Total	<u><u>1,371</u></u>

Benefits Provided

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Salinas Valley Federation of Teachers (SVFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, SVFT, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed \$1,365,545 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$35,139,777 was measured as of June 30, 2019, determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.5 percent
Healthcare cost trend rates	4.0 percent for 2018 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 June 30, 2018, valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2018	\$ 30,450,511
Service cost	4,127,855
Interest	1,114,108
Changes of assumptions or other inputs	812,848
Benefit payments	<u>(1,365,545)</u>
Net change in total OPEB liability	4,689,266
Balance, June 30, 2019	<u>\$ 35,139,777</u>

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 3.8 percent to 3.5 percent since the previous valuation.

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.5%)	\$ 37,815,887
Current discount rate (3.5%)	35,139,777
1% increase (4.5%)	32,756,225

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:

<u>Health Care Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 32,531,509
Current healthcare cost trend rate (4.0%)	35,139,777
1% increase (5.0%)	3,784,251

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,923,404. At June 30, 2019, the District reported deferred outflows of resources of \$765,862 for changes of assumptions.

The deferred outflows of resources related to 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 and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 46,986
2021	46,986
2022	46,986
2023	46,986
2024	46,986
Thereafter	530,932
Total	<u>\$ 765,862</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Contributions

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,012,258 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 0.2645 percent and 0.2632 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(95,061).

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.87%)	\$ 1,119,609
Current discount rate (3.87%)	1,012,258
1% increase (4.87%)	915,329

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 923,078
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,012,258
1% increase (4.7% Part A and 5.1% Part B)	1,108,171

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 26,100	\$ -	\$ -	\$ 26,100
Stores inventories	-	-	26,372	26,372
Prepaid expenditures	52,005	-	10,899	62,904
Total Nonspendable	<u>78,105</u>	<u>-</u>	<u>37,271</u>	<u>115,376</u>
Restricted				
Legally restricted programs	2,597,293	-	8,653,513	11,250,806
Capital projects	-	15,104,204	1,726,645	16,830,849
Debt service	-	-	6,167,472	6,167,472
Total Restricted	<u>2,597,293</u>	<u>15,104,204</u>	<u>16,547,630</u>	<u>34,249,127</u>
Committed				
Adult education programs	-	-	14,514	14,514
Deferred maintenance program	-	-	232,693	232,693
Total Committed	<u>-</u>	<u>-</u>	<u>247,207</u>	<u>247,207</u>
Assigned				
Postemployment benefits	12,047,783	-	-	12,047,783
Board one percent reserve	2,208,214	-	-	2,208,214
Supplemental/concentration carryover	5,838,019	-	-	5,838,019
Capital projects	-	-	53,137	53,137
Total Assigned	<u>20,094,016</u>	<u>-</u>	<u>53,137</u>	<u>20,147,153</u>
Unassigned				
Reserve for economic uncertainties	6,624,641	-	-	6,624,641
Remaining unassigned	23,821,702	-	-	23,821,702
Total Unassigned	<u>30,446,343</u>	<u>-</u>	<u>-</u>	<u>30,446,343</u>
Total	<u>\$ 53,215,757</u>	<u>\$ 15,104,204</u>	<u>\$ 16,885,245</u>	<u>\$ 85,205,206</u>

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with the Monterey and San Benito Counties Liability/Property JPA for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Employee Medical Benefits

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

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 - 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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 135,414,139	\$ 44,750,232	\$ 7,181,266	\$ 18,501,020
CalPERS	50,284,772	15,155,183	-	10,746,525
Total	\$ 185,698,911	\$ 59,905,415	\$ 7,181,266	\$ 29,247,545

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	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 \$14,335,863.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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	\$ 135,414,139
State's proportionate share of the net pension liability associated with the District	<u>77,530,928</u>
Total	<u>\$ 212,945,067</u>

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 0.1473 percent and 0.1454 percent, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$18,501,020. In addition, the District recognized pension expense and revenue of \$9,108,136 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 14,335,863	\$ -
Net change in proportionate share of net pension liability	8,957,504	-
Difference between projected and actual earnings on pension plan investments	-	5,214,300
Differences between expected and actual experience in the measurement of the total pension liability	419,914	1,966,966
Changes of assumptions	<u>21,036,951</u>	<u>-</u>
Total	<u>\$ 44,750,232</u>	<u>\$ 7,181,266</u>

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

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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	\$ 1,132,172
2021	(821,533)
2022	(4,374,595)
2023	(1,150,344)
Total	<u>\$ (5,214,300)</u>

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	\$ 5,728,919
2021	5,728,919
2022	5,728,917
2023	5,471,326
2024	5,588,227
Thereafter	201,095
Total	<u>\$ 28,447,403</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 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%

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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:

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

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 198,365,867
Current discount rate (7.10%)	135,414,139
1% increase (8.10%)	83,221,047

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.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 \$4,783,171.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows 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 \$50,284,772. 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 0.1886 percent and 0.1810 percent, resulting in a net increase in the proportionate share of 0.0076 percent.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$10,746,525. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,783,171
Net change in proportionate share of net pension liability	1,642,365
Difference between projected and actual earnings on pension plan investments	412,449
Differences between expected and actual experience in the measurement of the total pension liability	3,296,486
Changes of assumptions	5,020,712
Total	<u>\$ 15,155,183</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 1,500,165
2021	358,752
2022	(1,149,665)
2023	(296,803)
Total	<u>\$ 412,449</u>

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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 4,388,182
2021	4,123,329
2022	1,448,052
Total	<u>\$ 9,959,563</u>

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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%

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 73,212,223
Current discount rate (7.15%)	50,284,772
1% increase (8.15%)	31,263,169

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,155,622 (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*.

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - 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 involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Construction Commitments

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

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
East Alavarez High School pool renovation	\$ 335,455	July 2019
East Alavarez High School Wellness Center	1,285,453	November 2019
Education Center roof replacement	166,169	July 2019
Harden Middle School Wellness Center	1,285,453	November 2019
Mt. Toro High School MPR/CDC building	1,322,257	October 2019
New high school	3,871,268	October 2019
North Salinas High School shade structure	64,017	January 2020
ROP CTE Center	147,253	July 2019
Salinas High School roof replacement	5,850	July 2019
Salinas High School turf replacement	57,334	July 2019
Total	<u>\$ 8,540,509</u>	

SALINAS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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SALINAS UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 162,849,696	\$ 164,035,458	\$ 164,214,567	\$ 179,109
Federal sources	10,732,455	11,852,902	10,784,009	(1,068,893)
Other state sources	22,552,580	20,864,882	27,399,664	6,534,782
Other local sources	8,302,419	9,770,495	10,716,269	945,774
Total Revenues ¹	204,437,150	206,523,737	213,114,509	6,590,772
EXPENDITURES				
Current				
Certificated Salaries	84,929,409	88,302,043	88,404,861	(102,818)
Classified salaries	25,361,041	25,290,135	25,742,990	(452,855)
Employee benefits	51,392,793	50,841,824	57,295,383	(6,453,559)
Books and supplies	10,085,821	10,272,698	8,653,016	1,619,682
Services and operating expenditures	20,114,586	20,434,496	18,590,935	1,843,561
Other outgo	2,636,205	2,540,743	2,600,178	(59,435)
Capital outlay	7,727,140	25,708,275	25,030,688	677,587
Debt service	-	1,200,000	1,200,000	-
Total Expenditures ¹	202,246,995	224,590,214	227,518,051	(2,927,837)
Excess (Deficiency) of Revenues Over Expenditures	2,190,155	(18,066,477)	(14,403,542)	3,662,935
Other Financing Sources:				
Transfers in	3,200,000	4,482,003	-	(4,482,003)
NET CHANGE IN FUND BALANCES	5,390,155	(13,584,474)	(14,403,542)	(819,068)
Fund Balance - Beginning	67,619,299	67,619,299	67,619,299	-
Fund Balance - Ending	\$ 73,009,454	\$ 54,034,825	\$ 53,215,757	\$ (819,068)

¹ Due to the consolidation of Fund 17, Special Reserve Non-Capital Fund and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets. Additionally, on behalf payments of \$6,909,926 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 UNION HIGH SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 4,127,855	\$ 4,017,377
Interest	1,114,108	1,063,235
Changes of assumptions	812,848	-
Benefit payments	<u>(1,365,545)</u>	<u>(1,313,024)</u>
Net change in total OPEB liability	4,689,266	3,767,588
Total OPEB liability - beginning	<u>30,450,511</u>	<u>26,682,923</u>
Total OPEB liability - ending	<u><u>\$ 35,139,777</u></u>	<u><u>\$ 30,450,511</u></u>
Covered payroll	<u>N/A ¹</u>	<u>N/A ¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A ¹</u>	<u>N/A ¹</u>

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 UNION HIGH 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,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.2645%</u>	<u>0.2632%</u>
District's proportionate share of the net OPEB liability	<u>\$ 1,012,258</u>	<u>\$ 1,107,319</u>
District's covered-employee payroll	<u>N/A ¹</u>	<u>N/A ¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A ¹</u>	<u>N/A ¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

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 UNION HIGH SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.1473%</u>	<u>0.1454%</u>
District's proportionate share of the net pension liability	\$ 135,414,139	\$ 134,449,398
State's proportionate share of the net pension liability associated with the District	<u>77,530,928</u>	<u>79,539,128</u>
Total	<u>\$ 212,945,067</u>	<u>\$ 213,988,526</u>
District's covered - employee payroll	<u>\$ 82,400,748</u>	<u>\$ 75,270,803</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>164.34%</u>	<u>178.62%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.1886%</u>	<u>0.1810%</u>
District's proportionate share of the net pension liability	<u>\$ 50,284,772</u>	<u>\$ 43,200,109</u>
District's covered - employee payroll	<u>\$ 24,920,115</u>	<u>\$ 23,423,488</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>201.78%</u>	<u>184.43%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1353%</u>	<u>0.1340%</u>	<u>0.1289%</u>
\$ 109,469,030	\$ 90,245,333	\$ 75,329,929
<u>62,318,766</u>	<u>47,729,833</u>	<u>45,487,463</u>
<u>\$ 171,787,796</u>	<u>\$ 137,975,166</u>	<u>\$ 120,817,392</u>
<u>\$ 71,874,511</u>	<u>\$ 64,640,450</u>	<u>\$ 57,415,952</u>
<u>152.31%</u>	<u>139.61%</u>	<u>131.20%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1753%</u>	<u>0.1727%</u>	<u>0.1604%</u>
\$ 34,612,494	\$ 25,453,861	\$ 18,213,483
<u>\$ 21,679,885</u>	<u>\$ 18,951,890</u>	<u>\$ 16,841,863</u>
<u>159.65%</u>	<u>134.31%</u>	<u>108.14%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

SALINAS UNION HIGH SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 14,335,863	\$ 11,890,428
Contributions in relation to the contractually required contribution	<u>14,335,863</u>	<u>11,890,428</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 88,058,127</u>	<u>\$ 82,400,748</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 4,783,171	\$ 3,870,343
Contributions in relation to the contractually required contribution	<u>4,783,171</u>	<u>3,870,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 26,481,957</u>	<u>\$ 24,920,115</u>
Contributions as a percentage of covered - employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 9,469,067	\$ 7,712,135	\$ 5,740,072
9,469,067	7,712,135	5,740,072
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 75,270,803</u>	<u>\$ 71,874,511</u>	<u>\$ 64,640,450</u>
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 3,253,054	\$ 2,568,416	\$ 2,230,827
3,253,054	2,568,416	2,230,827
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 23,423,488</u>	<u>\$ 21,679,885</u>	<u>\$ 18,951,890</u>
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

SALINAS UNION HIGH 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 3.8 percent to 3.5 percent since the previous valuation.

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

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

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

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

SALINAS UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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

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

Schedule of District Contributions

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

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SUPPLEMENTARY INFORMATION

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SALINAS UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Naval Junior ROTC	[1]	N/A	\$ 66,546
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	4,098,825
Title I, Part C, Migrant Education - Regular	84.011	14326	1,856,804
Title I, Part C, Migrant Education - Summer	84.011	10005	168,701
Title II - Part A, Supporting Effective Instruction	84.367	14341	756,827
Title III - English Language Acquisition - IEP	84.365	15146	28,406
Title III - English Language Acquisition - LEP	84.365	14346	446,368
Adult Basic Education, ESL	84.002A	14508	170,357
English Literacy and Civics	84.002A	14109	69,027
Adult Secondary Education	84.002	13978	117,150
Department of Rehabilitation: Workability II	84.126	10006	161,942
Technology Secondary IIC, Section 131	84.048	14894	286,131
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	2,363,491
Special Education, Private School	84.027	10115	19,189
Subtotal Special Education Cluster			<u>2,382,680</u>
Total U.S. Department of Education			<u>10,543,218</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	154,008
Medi-Cal Administrative Activities	93.778	10060	376,773
Subtotal Medicaid Cluster			<u>530,781</u>
Total U.S. Department of Health and Human Services			<u>530,781</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	2,569,244
Basic Breakfast	10.553	13525	2,604
Especially Needy Breakfast	10.553	13526	735,728
Meals Supplements - Snack	10.555	13391	202,359
Food Distribution - Commodities	10.555	13391	339,856
Subtotal Child Nutrition Cluster			<u>3,849,791</u>
Total U.S. Department of Agriculture			<u>3,849,791</u>
Total Expenditures of Federal Awards			<u>\$ 14,990,336</u>

N/A - Not Applicable

[1] Catalog number not available

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Patty Padilla-Salsberg	President	2020
Phillip Tabera	Vice President	2022
Kristina Szaszy-Jones	Clerk	2022
Sandra Ocampo	Member	2020
Anthony Rocha	Member	2022
Jorge Rojas	Member	2020
Carlos Rubio	Member	2022

ADMINISTRATION

Dan Burns	Superintendent
Dr. Blanca Baltazar-Sabbah	Associate Superintendent, Instructional Services
Ana Aguillon	Manager of Business Services/CBO
TBD	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

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

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	4,640.42	4,639.52
Ninth through twelfth	10,259.60	10,209.16
Total Regular ADA	<u>14,900.02</u>	<u>14,848.68</u>
Extended Year Special Education		
Seventh and eighth	0.71	3.03
Ninth through twelfth	1.08	10.41
Total Extended Year Special Education	<u>1.79</u>	<u>13.44</u>
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.43	1.59
Ninth through twelfth	4.66	5.02
Total Special Education, Nonpublic, Nonsectarian Schools	<u>6.09</u>	<u>6.61</u>
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.13	0.21
Ninth through twelfth	1.15	1.66
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	<u>1.28</u>	<u>1.87</u>
Community Day School		
Seventh and eighth	3.53	3.31
Ninth through twelfth	14.84	13.72
Total Community Day School	<u>18.37</u>	<u>17.03</u>
Total ADA	<u><u>14,927.55</u></u>	<u><u>14,887.63</u></u>

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

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

Grade Level	1986-1987	2018-2019	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		61,128	180	N/A	Complied
Grade 8		61,128	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,110	180	N/A	Complied
Grade 10		65,110	180	N/A	Complied
Grade 11		65,110	180	N/A	Complied
Grade 12		65,110	180	N/A	Complied

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 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 UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2020 ^{1,3}	2019 ³	2018 ³	2017 ³
GENERAL FUND				
Revenues	\$204,628,879	\$212,616,772	\$182,074,114	\$174,250,344
Other sources and transfers in	30,000	3,776,128	19,764,917	176,996
Total Revenues and Other Sources	204,658,879	216,392,900	201,839,031	174,427,340
Expenditures	215,868,618	227,731,280	188,555,576	172,291,101
INCREASE/(DECREASE) IN FUND BALANCE	\$ (11,209,739)	\$ (11,338,380)	\$ 13,283,455	\$ 2,136,239
ENDING FUND BALANCE	\$ 17,083,786	\$ 28,293,525	\$ 39,631,905	\$ 26,348,450
AVAILABLE RESERVES ^{2,5}	\$ 11,952,783	\$ 30,446,343	\$ 16,220,037	\$ 16,199,539
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.54%	13.79%	8.60%	9.40%
LONG-TERM OBLIGATIONS ⁴	Not Available	\$165,870,793	\$169,137,949	\$157,057,736
AVERAGE DAILY ATTENDANCE AT P-2	15,005	14,928	14,626	14,273

The General Fund balance has increased by \$1,945,075 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$11,209,739 (39.62 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 \$8,813,057 over the past two years.

Average daily attendance has increased by 655 over the past two years. Additional growth of 77 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 within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Outlay Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

⁴ 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.

⁵ On behalf payments of \$6,909,926 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 UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ -	\$ 8,175,838	\$ 571,599
Receivables	329,967	819,521	10,786
Due from other funds	923,354	-	-
Prepaid expenses	-	10,899	-
Stores inventories	-	26,372	-
Total Assets	\$ 1,253,321	\$ 9,032,630	\$ 582,385
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ 1,000,585	\$ -	\$ -
Accounts payable	153,312	85,069	349,692
Due to other funds	47,560	256,777	-
Unearned revenue	37,350	-	-
Total Liabilities	1,238,807	341,846	349,692
Fund Balances:			
Nonspendable	-	37,271	-
Restricted	-	8,653,513	-
Committed	14,514	-	232,693
Assigned	-	-	-
Total Fund Balances	14,514	8,690,784	232,693
Total Liabilities and Fund Balances	\$ 1,253,321	\$ 9,032,630	\$ 582,385

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 2,257,392	\$ 52,873	\$ 6,167,472	\$ 17,225,174
11,021	264	-	1,171,559
-	-	-	923,354
-	-	-	10,899
-	-	-	26,372
<u>\$ 2,268,413</u>	<u>\$ 53,137</u>	<u>\$ 6,167,472</u>	<u>\$ 19,357,358</u>
\$ -	\$ -	\$ -	\$ 1,000,585
-	-	-	588,073
541,768	-	-	846,105
-	-	-	37,350
<u>541,768</u>	<u>-</u>	<u>-</u>	<u>2,472,113</u>
-	-	-	37,271
1,726,645	-	6,167,472	16,547,630
-	-	-	247,207
-	53,137	-	53,137
<u>1,726,645</u>	<u>53,137</u>	<u>6,167,472</u>	<u>16,885,245</u>
<u>\$ 2,268,413</u>	<u>\$ 53,137</u>	<u>\$ 6,167,472</u>	<u>\$ 19,357,358</u>

SALINAS UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	\$ 905,211	\$ -	\$ 600,000
Federal sources	356,534	3,849,793	-
Other state sources	1,670,194	347,564	-
Other local sources	228,187	2,240,752	25,988
Total Revenues	3,160,126	6,438,109	625,988
EXPENDITURES			
Current			
Instruction	1,616,808	-	-
Instruction-related activities:			
Supervision of instruction	471,650	-	-
School site administration	444,510	-	-
Pupil Services:			
Food services	-	6,378,192	-
All other pupil services	213,900	-	-
General administration:			
All other general administration	105,269	256,095	-
Plant services	311,650	226,303	-
Facility acquisition and construction	-	27,275	1,820,947
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,163,787	6,887,865	1,820,947
NET CHANGE IN FUND BALANCES	(3,661)	(449,756)	(1,194,959)
Fund Balance - Beginning	18,175	9,140,540	1,427,652
Fund Balance - Ending	\$ 14,514	\$ 8,690,784	\$ 232,693

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,505,211
-	-	-	4,206,327
-	-	34,631	2,052,389
416,083	1,376	5,823,600	8,735,986
<u>416,083</u>	<u>1,376</u>	<u>5,858,231</u>	<u>16,499,913</u>
-	-	-	1,616,808
-	-	-	471,650
-	-	-	444,510
-	-	-	6,378,192
-	-	-	213,900
135,655	-	-	497,019
-	1,961	-	539,914
556,800	-	-	2,405,022
-	-	8,815,000	8,815,000
-	-	2,128,650	2,128,650
<u>692,455</u>	<u>1,961</u>	<u>10,943,650</u>	<u>23,510,665</u>
<u>(276,372)</u>	<u>(585)</u>	<u>(5,085,419)</u>	<u>(7,010,752)</u>
2,003,017	53,722	11,252,891	23,895,997
<u>\$ 1,726,645</u>	<u>\$ 53,137</u>	<u>\$ 6,167,472</u>	<u>\$ 16,885,245</u>

SALINAS UNION HIGH SCHOOL DISTRICT

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.

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.

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.

SALINAS UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

**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 Union High School District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Salinas Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Salinas Union High School District in a separate letter dated December 15, 2019.

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.



Fresno, California
December 15, 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 Union High School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited Salinas Union High 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 Union High School District's major Federal programs for the year ended June 30, 2019. Salinas Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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



Fresno, California
December 15, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salinas Union High School District
Salinas, California

Report on State Compliance

We have audited Salinas Union High School District's (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 Union High 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 Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salinas Union High School District's compliance with those requirements.

Unmodified Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

Eide Sully LLP

Fresno, California
December 15, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SALINAS UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.011</u>	<u>Title I, Part C, Migrant Education</u>
<u>84.367</u>	<u>Title II - Part A, Supporting Effective Instruction</u>
<u>84.027</u>	<u>Special Education Cluster</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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SALINAS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

SALINAS UNION HIGH SCHOOL DISTRICT

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

None reported.

SALINAS UNION HIGH SCHOOL DISTRICT

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

None reported.

SALINAS UNION HIGH SCHOOL DISTRICT

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2018-001 30000

Internal Control Over Financial Reporting

Criteria

All financial transactions of the District need to be accounted for and reported in the financial statements even if those transactions take place outside of the District's normal operating environment such as through the County Treasury.

Condition

During our audit, we found that the District did not account for and record activity related to a Solar Lease Project in which funds were deposited into an account for the purpose of completing the project. Per the financing agreement, funds were deposited into a District account with the District's fiscal agent, BNY Mellon. Construction costs were paid out of that account during the fiscal year as the project commenced, however, none of the activity was recorded by the District.

Effect

Because the activity was not recorded by the District, it was not reported in the financial statements, resulting in a material misstatement of those financial statements. The Financial Statements reported in this Annual Financial Report have been modified to include the activity resulting from the Solar Lease Project. As of June 30, 2018, Solar Lease Project funding, expenditures, construction in progress, a lease liability, and the remaining balance with the fiscal agent are reported in the Financial Statements.

Cause

District management had not previously had experience with this type of transaction where the activity took place with the fiscal agent, rather than through the typical county system, and was not aware that those transaction needed to be recorded and reported in the financial operations of the District.

Recommendation

District management has now included the effects of the Solar Lease Project activity within these financial statements. Management should take action to ensure that all District financial activity is recorded in their general ledger system.

SALINAS UNION HIGH SCHOOL DISTRICT

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

Current Status

Implemented.



Management
Salinas Union High School District
Salinas, California

In planning and performing our audit of the financial statements of Salinas Union High School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2019, on the government-wide financial statements of the District.

ALISAL HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Inventory

Observation

During our audit, we found that quarterly inventory is being performed for the student store but there is nothing for the bookkeeper to compare those amounts to. During the inventory count, the bookkeeper knows how much is on hand but does not know how much should be on hand.

Recommendation

Quarterly inventory should be performed under the supervision of the bookkeeper and the amounts on hand should be compared to what should be on hand. The amount that should be on hand can be derived from the last "daily inventory" of the period as long as all inventory changes (sales and purchases) are properly accounted for.

EVERETT ALVAREZ HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Revenue Potentials

Observation

This is a repeat finding. During our audit, we found that revenue potentials are still not being prepared by individual ASB clubs.

Recommendation

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

Budgeting

Observation

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

Recommendation

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

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.
- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.

The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

NORTH SALINAS HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Revenue Potentials

Observation

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

Recommendation

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

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

Inventory

Observation

During our audit, we found that for the concession stand, there is no process to track beginning and ending inventory in order to reconcile the number of items sold and the amount of money received.

Recommendation

A process should be implemented to track inventory for concession stand sales so that a reconciliation between sales and inventory can be performed to determine the accuracy of collections.

EL SAUSAL MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit, we found that deposits are not always made timely to the bookkeeper by teachers/advisors. In one instance an advisor held gate and concession funds for over 30 days. This can result in large cash balances being maintained by individuals where there is a greater chance of theft or the funds being lost or misplaced.

Management
Salinas Union High School District

Recommendation

Teachers/advisors should, at a minimum, make their deposits once a week to the ASB bookkeeper in order to minimize the amount of cash held. During weeks of high cash activity, there may be a need to make more than one deposit.

HARDEN MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Timely Deposits

Observation

During our audit of the cash receipts system, we discovered that of the three deposits tested teachers/advisors were not remitting the cash collected to the site ASB bookkeeper in a timely fashion. This can result in large cash balances being maintained where there is a greater chance of theft or the funds being lost or misplaced.

Recommendation

All money collected by teachers and advisors should be brought to the ASB bookkeeper to be stored in the safe on a daily basis. Deposits to the District should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should then deposit these collections to the bank within a week from when they were received from the site.

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

Eide Bailly LLP

Fresno, California
December 15, 2019

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Salinas

Union High School District (the “District”) in connection with the issuance of \$ _____ of the District’s Election of 2014 General Obligation Bonds, Series B (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District dated February 25, 2020. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Keygent, LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holders” shall mean the registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means that certain official statement, dated _____, 2020, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean RBC Capital Markets, LLC, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2019-20 Fiscal Year (which is due not later than April 1, 2021), provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) Average daily attendance of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) Assessed valuation of taxable property within the District for the current fiscal year;
- (f) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. optional, contingent or unscheduled Bond calls.
- 4. defeasances.
- 5. rating changes.
- 6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 7. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 8. unscheduled draws on credit enhancement reflecting financial difficulties.
- 9. substitution of the credit or liquidity providers or their failure to perform.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

11. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
7. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file

any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2020

SALINAS UNION HIGH SCHOOL DISTRICT

By: _____

Ana Aguillon
Manager of Business Services/CBO

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SALINAS UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series B

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

SALINAS UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SALINAS AND MONTEREY COUNTY

The following information regarding the City of Salinas (the “City”) and Monterey County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, the Underwriter or the municipal advisor.

General

City of Salinas. The City was incorporated in 1874, is the county seat and largest municipality of Monterey County. The City is located in the central coast region of California, 17 miles inland from Monterey Bay, 106 miles south of San Francisco and 325 miles north of Los Angeles.

It is a general law city with a Council-Manager form of government. The City Council consists of seven members of which six are elected by district for four-year staggered terms. The Mayor is elected at-large and serves a two year term. The Council appoints the City Manager who is responsible for all City departments except the City Attorney. The City is the governmental, industrial and retail center of the County. Agriculture is the dominant force in the City’s economy, and it is the headquarters for the processing, freezing and shipping of Salinas Valley produce, and the City is known as the “Salad Bowl” of America.

Monterey County. The District is in Monterey County, which is located near the midpoint of California’s Pacific Coast. Incorporated in 1850 as one of the state’s original 27 counties, the County is approximately 130 miles south of San Francisco and 240 miles north of Los Angeles. The County covers an area of approximately 3,300 square miles, with a population in excess of 425,000 persons.

The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills and The Links at Spanish Bay are well known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel also are attractions that draw tourists to the Monterey Peninsula. Agriculture, tourism, and government are major contributors to the County’s economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation’s major vegetable producing areas.

Population

The following table shows historical population figures for the City, the County and the State of California for the past 10 years.

**POPULATION ESTIMATES
2010 through 2019
City of Salinas, Monterey County and State of California**

<u>Year</u> ⁽¹⁾	<u>City of Salinas</u>	<u>Monterey County</u>	<u>State of California</u>
2010 ⁽²⁾	150,441	415,057	37,253,956
2011	151,744	418,496	37,594,781
2012	154,179	423,920	37,971,427
2013	157,005	427,870	38,321,459
2014	157,965	429,614	38,622,301
2015	158,551	432,964	38,952,462
2016	160,916	438,159	39,214,803
2017	161,624	441,898	39,504,609
2018	161,899	442,940	39,740,508
2019	162,797	445,414	39,927,315

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, State and the United States for the past 10 years.

**PER CAPITA PERSONAL INCOME
2009 through 2018
Monterey County, State of California and United States**

<u>Year</u>	<u>Monterey County</u>	<u>State of California</u>	<u>United States</u>
2009	\$40,571	\$42,044	\$39,284
2010	41,460	43,634	40,546
2011	42,404	46,170	42,735
2012	43,908	48,798	44,599
2013	44,860	49,277	44,851
2014	47,557	52,324	47,058
2015	51,672	55,758	48,978
2016	52,686	57,739	49,870
2017	53,989	60,156	51,885
2018	56,193	63,557	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years for the City, County, State and United States.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2014 through 2018
City of Salinas, Monterey County, State of California and the United States**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate %</u>
2014	City of Salinas	78,900	71,400	7,500	9.5
	County of Monterey	217,700	198,000	19,700	9.0
	State of California	18,714,700	17,310,900	1,403,800	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	City of Salinas	79,000	72,300	6,700	8.5
	County of Monterey	218,400	200,700	17,700	8.1
	State of California	18,851,100	17,681,800	1,169,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	City of Salinas	80,400	72,500	7,900	9.8
	County of Monterey	218,900	202,200	16,700	7.6
	State of California	19,044,500	18,002,800	1,041,700	5.5
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	City of Salinas	80,400	72,900	7,500	9.3
	County of Monterey	219,900	204,200	15,700	7.2
	State of California	19,205,300	18,285,500	919,800	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	City of Salinas	81,800	75,000	6,800	8.3
	County of Monterey	224,100	210,000	14,000	6.3
	State of California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018.

Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled in the following table for the Salinas Metropolitan Statistical Area (the “MSA”), which includes all of the County, from 2014 through 2018.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES Salinas Metropolitan Statistical Area 2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	52,200	53,000	53,300	53,200	55,700
Mining and Logging	200	300	200	200	300
Construction	4,900	5,200	5,800	6,000	6,500
Manufacturing	5,400	5,500	5,400	5,600	5,400
Wholesale Trade	5,400	5,300	5,300	5,600	5,900
Retail Trade	16,200	16,400	16,500	16,400	16,800
Transportation, Warehousing & Utilities	4,200	4,300	4,300	4,100	4,000
Information	1,400	1,300	1,100	1,100	1,000
Financial Activities	4,000	4,100	4,200	4,300	4,500
Professional and Business Services	12,100	12,800	13,400	13,200	13,900
Education and Health Services	18,000	18,400	18,800	19,700	20,100
Leisure and Hospitality	22,800	23,400	24,300	24,500	25,400
Other Services	4,900	5,000	5,100	5,200	5,100
Government	<u>30,600</u>	<u>31,100</u>	<u>31,900</u>	<u>33,300</u>	<u>34,500</u>
Total All Industries	182,000	186,100	189,500	192,400	198,800

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Principal Employers

The following table shows the principal employers in the County in alphabetical order.

PRINCIPAL EMPLOYERS Monterey County 2020

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Al Pak Labor	Soledad	Fruits & Vegetables-Wholesale
Azcona Harvesting	Greenfield	Harvesting-Contract
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
Carol Hatton Breast Care Ctr	Monterey	Clinics
Casa Palmero At Pebble Beach	Pebble Beach	Hotels & Motels
County-Monterey Behavioral	King City	Health Services
Fort Hunter Liggett Military	Jolon	Military Bases
Hilltown Packing Co	Salinas	Harvesting-Contract
Mann Packing Co	Salinas	Fruits & Vegetables-Growers & Shippers
Mee Memorial Hospital	King City	Hospitals
Middlebury Institute-Intl	Monterey	University-College Dept/Facility/Office
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey County Social Svc Dpt	Salinas	Government Offices-County
Natividad Medical Ctr	Salinas	Hospitals
Natividad Medical Ctr	Salinas	Medical Centers
Ord Community Commissary	Seaside	Military Bases
Pebble Beach Co	Pebble Beach	Resorts
Pebble Beach Co	Pebble Beach	Resorts
Premier Raspberry LLC	Royal Oaks	Grocers-Wholesale
Presidio of Monterey	Monterey	Military Bases
Quality Farm Labor	Gonzales	Labor Contractors
R C Packing	Gonzales	Packing & Crating Service
Salinas Valley Meml Healthcare	Salinas	Health Care Management
US Defense Manpower Data Ctr	Seaside	Government Offices-Us
Valley Harvesting	Greenfield	Crop Harvesting-Primarily By Machine

Source: California Employment Development Department, Labor Market Information Division. America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Commercial Activity

Summaries of annual taxable sales for the City and County from 2015 through 2018 are shown in the following tables.

**ANNUAL TAXABLE SALES
2015 through 2018
City of Salinas
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2015	1,922	\$1,866,817	3,010	\$2,364,843
2016	1,938	1,958,521	3,053	2,483,726
2017	1,998	2,033,752	3,099	2,543,925
2018 ⁽¹⁾	2,054	2,072,189	3,284	2,635,379

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration for 2015-18.*

**ANNUAL TAXABLE SALES
2015 through 2018
Monterey County
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2015	7,240	\$4,548,935	11,437	\$6,454,359
2016	7,352	4,714,130	11,657	6,716,141
2017	7,544	4,891,626	11,959	6,939,334
2018 ⁽¹⁾	7,666	5,112,856	12,490	7,339,237

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration for 2015-18.*

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and County are shown in the following tables.

BUILDING PERMIT VALUATIONS 2014 through 2018 City of Salinas (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$20,021	\$24,953	\$13,274	\$13,713	\$45,664
Non-residential	<u>16,951</u>	<u>24,506</u>	<u>45,099</u>	<u>38,028</u>	<u>36,737</u>
Total	\$36,972	\$49,459	\$58,373	\$51,741	\$82,401
<u>Residential Units:</u>					
Single family	32	45	1	28	61
Multiple family	<u>37</u>	<u>48</u>	<u>50</u>	<u>0</u>	<u>90</u>
Total	69	93	51	28	151

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS County of Monterey 2014-2018 (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$166,058	\$219,262	\$242,389	\$271,978	\$339,628
Non-residential	<u>154,341</u>	<u>223,142</u>	<u>197,865</u>	<u>171,630</u>	<u>151,103</u>
Total	\$320,399	\$442,404	\$440,254	\$443,608	\$490,731
<u>Residential Units:</u>					
Single family	236	374	486	523	611
Multiple family	<u>85</u>	<u>258</u>	<u>118</u>	<u>178</u>	<u>212</u>
Total	321	632	604	701	823

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

Agriculture

Agricultural-related industries are a major source of employment in the County. The County's agriculture commodities grossed \$4,425,426,000 in 2018, with \$3,006,857,000 of the total value coming from vegetable crops. The leading farm commodities in the County for 2018 are listed below.

TOP COMMODITIES 2018 Monterey County

<u>Rank</u>	<u>Commodity</u>	<u>Value</u>
1.	Leaf Lettuce	\$733,171,000
2.	Strawberry	698,510,000
3.	Head Lettuce	459,452,000
4.	Broccoli	388,946,000
5.	Wine Grapes	247,758,000
6.	Cauliflower	209,292,000
7.	Misc. Vegetables	205,285,000
8.	Nursery	204,289,000
9.	Celery	145,400,000
10.	Spinach	143,376,000
11.	Livestock & Poultry	110,598,000
12.	Mushroom	95,261,000
13.	Brussels Sprout	78,300,000
14.	Peas	61,387,000
15.	Artichoke	53,156,000
16.	Kale	48,151,000
17.	Lemon	41,612,000
18.	Onion, Dry	38,250,000
19.	Cabbage	37,924,000
20.	Spring Mix	37,414,000

Source: Monterey County Office of the Agricultural Commissioner, 2018 Monterey County Crop Report.

APPENDIX E

MONTEREY COUNTY INVESTMENT POOL

The following information concerning the Monterey County Investment Pool (the “Investment Pool”) has been provided by the Treasurer-Tax Collector-Public Administrator of the County (the “Treasurer”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or the Underwriter have made an independent investigation of the investments in the Investment Pool or made an assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at http://www.co.monterey.ca.us/taxcollector/Treasury_Investment.html. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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Monterey County Board of Supervisors

Board Order

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066
www.co.monterey.ca.us

A motion was made by Supervisor Jane Parker, seconded by Supervisor Mary L. Adams to:

Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2019.

PASSED AND ADOPTED on this 28th day of January 2020, by roll call vote:

AYES: Supervisors Alejo, Phillips, Lopez, Parker and Adams

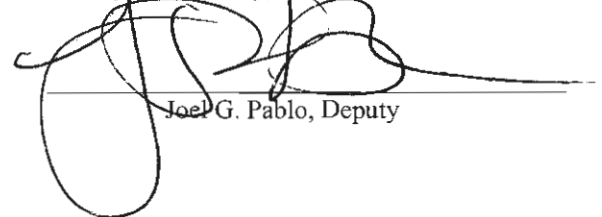
NOES: None

ABSENT: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting January 28, 2020.

Dated: January 29, 2020
File ID: 20-037
Agenda Item No.: 45

Valerie Ralph, Clerk of the Board of Supervisors
County of Monterey, State of California



Joel G. Pablo, Deputy



Monterey County

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

Legistar File Number: 20-037

January 28, 2020

Introduced: 1/14/2020

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2019.

RECOMMENDATION:

It is recommended that the Board of Supervisors:
Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2019.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the October - December period, the investment portfolio position by investment type and the investment portfolio by maturity range.

DISCUSSION:

During the October - December quarter, U.S. equities finished the year with a strong December, marking the best year since 2013. Major central banks held the global economy together, providing ample liquidity, lowering interest rates, and restoring confidence. After three consecutive rate cuts this year, the Federal Reserve kept rates steady at its December meeting, maintaining the target range at 1.5% to 1.75%. In its calculus, the economy is solid; and the current policy stance will remain appropriate as long as "incoming data remains broadly consistent with the outlook."

On December 31, 2019, the Monterey County investment portfolio contained an amortized book value of \$1,849,198,378 spread among 179 separate securities and funds. The par value of those funds was \$1,853,827,449 with a market value of \$1,848,747,199 or 100.0% of amortized book value. The portfolio's net earned income yield for the period was 2.32%. The portfolio produced an estimated quarterly income of \$9,758,162.96 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 331 days. The County Treasury continues to use shorter term debt to provide portfolio liquidity and enhanced investment opportunities.

The investment portfolio is in compliance with all applicable provisions of state law and the adopted Investment Policy, and contains sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through resources such as Bloomberg LLP, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's website. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

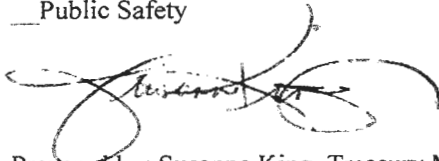
FINANCING:

The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund are expected to meet or exceed the budgeted revenue for Fiscal Year 2019-20.

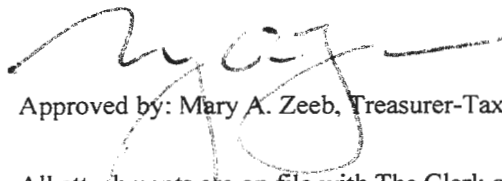
BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety



Prepared by: Susanne King, Treasury Manager, x5490



Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5833

All attachments are on file with The Clerk of the Board:

Board Report

Exhibit A - Investment Portfolio Review 12.31.19

Exhibit B - Portfolio Management Report 12.31.19

Exhibit C - Aging Report 01.01.20

Exhibit A

Investment Portfolio Review

Quarter Ending December 31, 2019

OVERVIEW

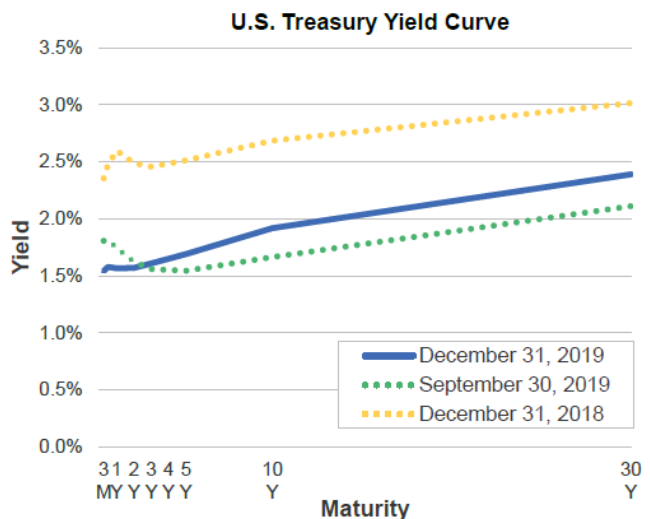
October 1, 2019 – December 31, 2019

During the October – December quarter, U.S. equities finished the year with a strong December, marking the best year since 2013. Major central banks held the global economy together, providing ample liquidity, lowering interest rates, and restoring confidence. After three consecutive rate cuts this year, the Federal Reserve kept rates steady at its December meeting, maintaining the target range at 1 ½ to 1 ¾ percent. In its calculus, the economy is solid; and the current policy stance will remain appropriate as long as “incoming data remains broadly consistent with the outlook.”

U.S. TREASURY YIELD CURVE

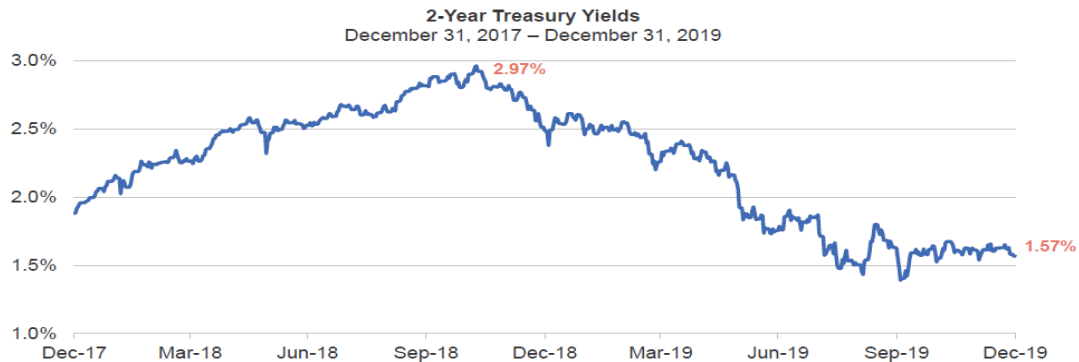
- Treasury yields fell across short term maturities throughout the quarter, while long-term maturities rose.
- Yield movement during the quarter resulted in a Treasury yield curve that is no longer inverted and it has regained its positive slope.

	4Q2019 12/31/19	3Q2019 9/30/19	QoQ Change
3 month	1.54%	1.81%	-0.27%
1 year	1.57%	1.74%	-0.17%
2 year	1.57%	1.62%	-0.05%
3 year	1.61%	1.56%	0.05%
5 year	1.69%	1.54%	0.15%
10 year	1.92%	1.66%	0.26%
30 year	2.39%	2.11%	0.28%



Source: Bloomberg, as of 12/31/19.

- The 2-year Treasury decreased by 5 basis points (0.05%) to end the quarter at 1.57%.
- Yields felt the pressure of continued trade tensions, further weakening in business investment and other economic data, as well as heightened recession fears for the U.S. and global economies.



Source: Bloomberg, as of 12/31/19.

The County Treasury investments continue to focus on capturing relative value while remaining cautious. The following indicators reflect key aspects of the investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included a U.S. Treasuries, Commercial Paper and Corporate Notes. The Treasurer continues to keep a higher level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.
2. Diversification - The Monterey County Treasurer’s portfolio consists of 179 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition								
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper	Supranationals	Municipal Bonds	Asset Backed Securities
13.2%	1.5%	18.1%	57.5%	2.4%	4.1%	2.1%	<0.1%	0.5%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 83.6% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds. All assets

have a better than investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (13.2%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA. The Supranationals (2.1%) and the Asset Backed Security (0.5%) are rated AAA. The credit quality of the Treasurer’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition							
AAA	AAAm	AA	A	A-1 (Short Term)	Aaf/S1+ (CalTRUST)	BBB+ (split rated)	Not Rated
2.1%	8.9%	64.5%	8.7%	5.0%	6.2%	0.5%	4.0%

• Total may not equal 100% due to rounding

4. **Liquidity Risk** – Liquidity risk, as measured by the ability of the County Treasury to meet withdrawal demands on invested assets, was managed during the October - December quarter. The portfolio’s average weighted maturity was 331 days, and the Treasurer maintained \$347M in overnight investments to provide immediate liquidity to be able to react quickly to opportunities in the current market and take advantage of yields on the money market rates. In addition, the Treasurer maintained \$687M in securities with maturities under a year to provide additional enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2019</u>	<u>December 31, 2019</u>
Total Assets	\$1,557,346,900.60	\$1,853,827,448.73
Market Value	\$1,550,705,225.56	\$1,848,747,198.94
Days to Maturity	350	331
Yield	2.46%	2.32%
Estimated Earnings	\$9,734,550.44	\$9,758,162.96

The Treasurer has 37.1% of the portfolio invested in maturities under one year, 43.6% invested in the 1-3-year maturity range and 0.60% invested in the 3-5-year range. In the current interest rate environment, we continue to utilize available maturities to add high-quality securities and maintain a well-diversified portfolio. This strategy will also help to position the portfolio insuring that liquidity needs are met. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Money Market Accts - GC 53601(k)(2)												
SYS11672	11672	BlackRock			0.00	0.00	0.00	0.337			0.337	
SYS12159	12159	DREYFUS AMT FREE TAX EXEMPT MM			7,192,834.88	7,192,834.88	7,192,834.88	1.075			1.075	
SYS11830	11830	Federated		07/01/2018	0.00	0.00	0.00	0.101	Aaa	AAA	0.101	
SYS11578	11578	Fidelity Investments			100,000.00	100,000.00	100,000.00	1.545	Aaa	AAA	1.545	
Subtotal and Average			9,092,532.54		7,292,834.88	7,292,834.88	7,292,834.88				1.081	
State Pool - GC 16429.1												
SYS11361	11361	LAIF			65,000,000.00	65,000,000.00	65,000,000.00	2.446			2.446	
Subtotal and Average			62,228,260.87		65,000,000.00	65,000,000.00	65,000,000.00				2.446	
CALTRUST/CAMP - GC 53601(p)												
SYS11801	11801	CalTrust			48,800,000.00	48,800,000.00	48,800,000.00	2.005	Aaa	AAA	2.005	
SYS11802	11802	CalTrust			1,000,000.00	1,000,000.00	1,000,000.00	1.525	Aaa	AAA	1.525	
SYS12296	11803	CalTrust		04/30/2019	20,000,000.00	20,000,000.00	20,000,000.00	1.715			1.715	
SYS12211	12211	CalTrust		07/03/2018	45,956,000.00	45,956,000.00	45,956,000.00	1.738			1.738	
SYS12219	12219	CalTrust		09/18/2018	329,159.88	329,159.88	329,159.88	1.718			1.718	
SYS10379	10379	Calif. Asset Mgmt			158,650,000.00	158,650,000.00	158,650,000.00	1.801		AAA	1.801	
SYS11961	11961	Calif. Asset Mgmt		07/01/2018	0.00	0.00	0.00	0.658		AAA	0.658	
Subtotal and Average			264,943,511.26		274,735,159.88	274,735,159.88	274,735,159.88				1.819	
SWEEP ACCOUNT-MORG STNLY												
SYS12041	12041	Morgan Stanley			6.96	6.96	6.96	927.131			927.131	
Subtotal and Average			4.20		6.96	6.96	6.96				927.131	
SWEEP ACCOUNT - CUSTOM												
SYS12138	12138	Morgan Stanley			49,446.99	49,446.99	49,446.99	1.519			1.519	
Subtotal and Average			75,552.39		49,446.99	49,446.99	49,446.99				1.519	
Medium Term Notes - GC 53601(k)												
88579YAX9	12247	MMM COMPANY		01/11/2019	250,000.00	243,483.81	243,483.81	2.250			3.123	03/15/2023
88579YBF7	12334	MMM COMPANY		11/27/2019	3,440,000.00	3,507,211.85	3,507,211.85	2.750	A1	AA-	1.825	03/01/2022
023135AM8	12301	Amazon		05/31/2019	4,500,000.00	4,569,196.56	4,569,196.56	3.300	A3	AA-	2.472	12/05/2021
023135AW6	12317	Amazon		09/03/2019	200,000.00	203,765.17	203,765.17	2.400	A3	AA-	1.936	02/22/2023
025816BM0	12156	American Express Credit		08/21/2017	250,000.00	249,883.75	249,883.75	2.500	A3	BBB+	2.519	08/01/2022

Portfolio INVT
AP
PM (PRF_PM2) 7.3.0

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
0258MOEB1	12323	American Express Credit		10/28/2019	4,000,000.00	4,019,289.21	4,019,289.21	2.250	A2	A-	1.863	05/05/2021
037833CQ1	12151	Apple Inc Corp Notes		08/17/2017	250,000.00	250,684.64	250,684.64	2.300	Aa1	AA+	2.177	05/11/2022
037833AR1	12268	Apple Inc Corp Notes		02/22/2019	3,825,000.00	3,832,149.47	3,832,149.47	2.850	Aa1	AA+	2.705	05/06/2021
037833CC2	12284	Apple Inc Corp Notes		04/09/2019	5,000,000.00	4,922,490.60	4,922,490.60	1.550	Aa1	AA+	2.559	08/04/2021
05531FAV5	12153	BB&T Corporation		08/21/2017	250,000.00	249,832.92	249,832.92	2.050	A2	A-	2.101	05/10/2021
05531FAZ6	12325	BB&T Corporation		11/19/2019	5,000,000.00	5,011,149.31	5,011,149.31	2.150	A2	A-	1.940	02/01/2021
06406HCZ0	12126	Bank of New York Mellon Corp		03/17/2017	10,000,000.00	9,985,700.00	10,000,566.60	2.150	A1	A	2.110	02/24/2020
06051GGE3	12202	Bank of America Corp		06/07/2018	250,000.00	247,525.10	247,525.10	3.124	A3	A-	3.477	01/20/2023
06051GFW4	12234	Bank of America Corp		12/14/2018	5,000,000.00	4,944,864.62	4,944,864.62	2.625	Baa1	BBB+	3.515	04/19/2021
06051GGY9	12332	Bank of America Corp		11/27/2019	5,000,000.00	5,035,761.34	5,035,761.34	2.738	A2	A-	2.379	01/23/2022
084664BT7	12182	Berkshire Hathaway Finance		03/12/2018	250,000.00	250,289.78	250,289.78	3.000	Aa2	AA	2.947	05/15/2022
084664BT7	12291	Berkshire Hathaway Finance		04/26/2019	8,625,000.00	8,721,042.95	8,721,042.95	3.000	Aa2	AA	2.509	05/15/2022
14913Q2E8	12183	CATERPILLAR FINL SERVC		03/12/2018	250,000.00	246,106.28	246,106.28	2.550	A3	A	3.129	11/29/2022
14912L6Y2	12189	CATERPILLAR FINL SERVC		04/02/2018	5,000,000.00	4,999,225.55	4,999,225.55	2.100	A3	A	2.738	01/10/2020
14913Q2G3	12276	CATERPILLAR FINL SERVC		03/15/2019	6,125,000.00	6,138,143.57	6,138,143.57	2.900	A3	A	2.716	03/15/2021
166764AY6	12208	Chevron Corp. Global		06/25/2018	2,155,000.00	2,145,788.60	2,145,788.60	2.419	Aa2	AA-	2.926	11/17/2020
17275RBD3	12150	Cisco Systems Inc Corp		08/17/2017	250,000.00	250,707.03	250,707.03	2.200	A1	AA-	1.946	02/28/2021
17275RBD3	12302	Cisco Systems Inc Corp		05/31/2019	5,000,000.00	4,985,524.52	4,985,524.52	2.200	A1	AA-	2.456	02/28/2021
172967LC3	12307	Citibank		06/07/2019	3,840,000.00	3,865,665.69	3,865,665.69	2.900	A3	BBB+	2.530	12/08/2021
172967GL9	12308	Citibank		07/12/2019	250,000.00	256,401.07	256,401.07	3.375	A3	BBB+	2.523	03/01/2023
172967KK6	12326	Citibank		11/19/2019	5,000,000.00	5,041,333.60	5,041,333.60	2.700	A3	BBB+	2.024	03/30/2021
191216BG4	12250	Coca- Cola Co		01/14/2019	5,000,000.00	4,985,347.76	4,985,347.76	2.450	A1	A+	2.812	11/01/2020
191216AV2	12288	Coca- Cola Co		04/09/2019	4,980,000.00	5,036,952.25	5,036,952.25	3.300	Aa3	A+	2.587	09/01/2021
254687FK7	12319	The Walt Disney Copr		09/06/2019	240,000.00	239,119.05	239,119.05	1.750			1.851	08/30/2024
369550AR9	12237	General Dynamics Corp		12/14/2018	10,000,000.00	10,089,020.84	10,089,020.84	3.875	A2	A+	3.266	07/15/2021
38145GAG5	12205	Goldman Sachs		06/07/2018	250,000.00	245,165.49	245,165.49	2.350	A3	BBB+	3.454	11/15/2021
437076AW2	12235	Home Depot Inc		12/14/2018	2,750,000.00	2,787,543.98	2,787,543.98	4.400	A2	A	3.256	04/01/2021
02665WBF7	12286	American Honda Finance		04/09/2019	5,000,000.00	4,923,381.86	4,923,381.86	1.650	A1	A+	2.688	07/12/2021
02665WCZ2	12318	American Honda Finance		09/03/2019	200,000.00	203,224.54	203,224.54	2.400			2.021	06/27/2024
02665WDF5	12333	American Honda Finance		11/27/2019	5,000,000.00	4,999,759.52	4,999,759.52	1.950	A2	A	1.952	05/20/2022
4581XODB1	12191	Inter-America Devel BK		04/19/2018	285,000.00	284,728.30	284,728.30	2.625	Aaa		2.687	04/19/2021
44932HAH6	12181	IBM Corp Notes		03/12/2018	250,000.00	248,446.65	248,446.65	3.000	A1	A+	3.218	02/06/2023
458140AZ3	12136	INTEL CORP		05/15/2017	10,000,000.00	9,954,100.00	10,002,102.23	1.850	A1	A+	1.790	05/11/2020
24422EUA5	12180	John Deere Capital Corp		03/12/2018	250,000.00	246,469.37	246,469.37	2.700	A2	A	3.209	01/06/2023
24422ETB5	12278	John Deere Capital Corp		03/22/2019	5,000,000.00	4,993,525.52	4,993,525.52	2.450	A2	A	2.641	09/11/2020

Portfolio INVT

AP

PM (PRF_PM2) 7.3.0

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
46625HHU7	12157	JP Morgan Chase		08/21/2017	250,000.00	254,023.96	254,023.96	4.250	A3	A-	2.129	10/15/2020
46623EKG3	12324	JP Morgan Chase		11/13/2019	5,000,000.00	5,009,286.71	5,009,286.71	2.295	A2	A-	2.177	08/15/2021
46625HJD3	12329	JP Morgan Chase		11/18/2019	5,000,000.00	5,247,761.20	5,247,761.20	4.500	A2	A-	2.032	01/24/2022
46625HJD3	12341	JP Morgan Chase		12/17/2019	5,000,000.00	5,249,057.13	5,249,057.13	4.500	A2	A-	2.022	01/24/2022
57636QAB0	12282	MASTERCARD INC		04/04/2019	250,000.00	256,677.25	256,677.25	3.375	A2	A+	2.699	04/01/2024
58933YAQ8	12316	MERCK & CO INC		09/03/2019	10,000,000.00	10,127,653.93	10,127,653.93	2.350	A1	AA	1.729	02/10/2022
594918BG8	12149	MICROSOFT CORP		08/17/2017	250,000.00	250,547.96	250,547.96	2.000	Aaa	AAA	1.730	11/03/2020
68389XBB0	12148	Oracle Corp		08/17/2017	250,000.00	251,471.25	251,471.25	2.500	A1	AA-	2.471	05/15/2022
742718EN5	12154	Procter & Gamble Co		08/21/2017	250,000.00	249,855.86	249,855.86	1.850	Aa3	AA-	1.905	02/02/2021
742718EN5	12253	Procter & Gamble Co		01/15/2019	3,475,000.00	3,442,755.63	3,442,755.63	1.850	Aa3	AA-	2.734	02/02/2021
713448DX3	12236	Pepsico Inc Corp Note		12/14/2018	3,800,000.00	3,744,818.76	3,744,818.76	2.000	A1	A+	3.177	04/15/2021
713448DX3	12249	Pepsico Inc Corp Note		01/14/2019	5,000,000.00	4,945,675.96	4,945,675.96	2.000	A1	A+	2.876	04/15/2021
717081ES8	12280	PFIZER INC		04/04/2019	250,000.00	252,522.62	252,522.62	2.950	A1	AA	2.692	03/15/2024
717081DR1	12303	PFIZER INC		06/04/2019	5,000,000.00	5,090,620.33	5,090,620.33	5.200	A1	AA	2.190	08/12/2020
717081DZ3	12315	PFIZER INC		09/03/2019	5,000,000.00	5,037,983.45	5,037,983.45	2.200	A1	AA	1.801	12/15/2021
808513AW5	12196	Charles Schwab Corp		05/22/2018	160,000.00	159,997.78	159,997.78	3.250	A2		3.251	05/21/2021
857477AS2	12158	State Street Corp		08/21/2017	250,000.00	251,031.72	251,031.72	2.550	A1	A	1.874	08/18/2020
857477AS2	12266	State Street Corp		02/19/2019	2,125,000.00	2,122,171.98	2,122,171.98	2.550	A1	A	2.767	08/18/2020
857477AV5	12267	State Street Corp		02/22/2019	8,723,000.00	8,609,580.89	8,609,580.89	1.950	A1	A	2.927	05/19/2021
857477AV5	12269	State Street Corp		02/22/2019	1,300,000.00	1,283,064.91	1,283,064.91	1.950	A1	A	2.929	05/19/2021
857477AV5	12304	State Street Corp		06/04/2019	5,000,000.00	4,976,795.32	4,976,795.32	1.950	A1	A	2.295	05/19/2021
89236TCQ6	12165	Toyota Motor Corporation		08/22/2017	250,000.00	253,394.75	253,394.75	2.800	Aa3	AA-	2.231	07/13/2022
89233P5T9	12231	Toyota Motor Corporation		12/07/2018	5,000,000.00	4,998,000.40	4,998,000.40	3.300	Aa3	AA-	3.320	01/12/2022
89236TEU5	12279	Toyota Motor Corporation		03/22/2019	5,000,000.00	5,021,323.08	5,021,323.08	2.950	Aa3	AA-	2.606	04/13/2021
89233P5F9	12311	Toyota Motor Corporation		07/18/2019	5,000,000.00	5,098,974.90	5,098,974.90	3.400	Aa3	AA-	2.204	09/15/2021
882508AY0	12298	Texas Instruments INC		05/30/2019	4,400,000.00	4,417,487.05	4,417,487.05	2.750	A1	A+	2.392	03/12/2021
911312BP0	12170	UNITED PARCEL SERVICE		11/14/2017	200,000.00	199,883.16	199,883.16	2.050	A1		2.099	04/01/2021
91159HHA1	12152	US BANCORP		08/17/2017	250,000.00	257,485.24	257,485.24	4.125	A1	A+	2.215	08/24/2021
91159HHL7	12300	US BANCORP		05/31/2019	4,287,000.00	4,280,936.26	4,280,936.26	2.350	A1	A+	2.484	01/29/2021
91159HHX1	12313	US BANCORP		08/06/2019	200,000.00	201,119.56	201,119.56	2.400			2.270	07/30/2024
91159HHC7	12322	US BANCORP		10/28/2019	3,500,000.00	3,580,678.55	3,580,678.55	3.000	A1	A+	1.888	03/15/2022
92826CAC6	12203	Visa Inc		06/07/2018	250,000.00	247,419.27	247,419.27	2.800	A1	A+	3.178	12/14/2022
931142EJ8	12223	Walmart Inc		10/31/2018	10,000,000.00	10,004,638.24	10,004,638.24	3.125	Aa2	AA	3.091	06/23/2021
Subtotal and Average			219,455,606.31		237,835,000.00	238,784,697.18	238,847,566.01				2.476	

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Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Negotiable CDs - GC 53601(i)												
22535CDU2	12281	Credit Agricole CIB NY		04/04/2019	250,000.00	250,000.00	250,000.00	2.830	A1	A+	2.869	04/02/2021
55379WZT6	12272	MUFG Banl LTD/NY		02/28/2019	10,000,000.00	10,000,000.00	10,000,000.00	2.970		A-1	3.020	02/26/2021
55379WZT6	12273	MUFG Banl LTD/NY		02/28/2019	250,000.00	250,000.00	250,000.00	2.970		A-1	2.970	02/26/2021
867914BM4	12340	SUNTRUST BANKS INC		12/16/2019	5,000,000.00	5,060,875.95	5,060,875.95	2.700	A3	A-	2.072	01/27/2022
87019U6D6	12172	Swedbank		11/17/2017	18,000,000.00	17,902,800.00	18,000,000.00	2.270			2.270	11/16/2020
Subtotal and Average			29,380,245.47		33,500,000.00	33,463,675.95	33,560,875.95				2.473	
Commercial Paper Disc.- GC 53601(h)												
09659BHB9	12327	BNP Paribas NY		11/18/2019	10,000,000.00	9,886,022.22	9,886,022.22	1.840	P-1	A-1	1.889	08/11/2020
09659BDL1	12321	BNP Paribas Securities Corp		10/22/2019	16,050,000.00	15,957,311.25	15,957,311.25	1.890	P-1	A-1	1.908	04/20/2020
22533TGF7	12328	Credit Agricole CIB NY		11/18/2019	25,000,000.00	24,750,916.67	24,750,916.67	1.830	P-1	A-1	1.875	07/15/2020
62479LF34	12338	MUFG Banl LTD/NY		12/06/2019	25,000,000.00	24,800,013.89	24,800,013.89	1.870	P-1	A-1	1.888	06/03/2020
Subtotal and Average			53,734,793.44		76,050,000.00	75,394,264.03	75,394,264.03				1.888	
Fed Agcy Coupon Sec - GC 53601(f)												
313383HU8	12144A	Federal Home Loan Bank		08/16/2017	450,000.00	450,415.73	450,415.73	1.750	Aaa	AA+	1.538	06/12/2020
3130AF5B9	12222	Federal Home Loan Bank		10/12/2018	10,000,000.00	9,998,219.44	9,998,219.44	3.000			3.011	10/12/2021
3130AEWA4	12243	Federal Home Loan Bank		01/03/2019	10,000,000.00	10,004,471.34	10,004,471.34	2.625	Aaa	AA+	2.563	10/01/2020
3130AFW94	12264	Federal Home Loan Bank		02/15/2019	370,000.00	368,920.40	368,920.40	2.500			2.576	02/13/2024
3137EAEL9	12242	Federal Home Loan Mtg Corp		01/03/2019	10,000,000.00	9,982,695.94	9,982,695.94	2.375	Aaa	AA+	2.533	02/16/2021
3135G0T29	12123	Federal National Mtg Assn		02/28/2017	12,600,000.00	12,469,212.00	12,599,574.40	1.500	Aaa	AA+	1.522	02/28/2020
3135G0V34	12263	Federal National Mtg Assn		02/08/2019	335,000.00	333,977.80	333,977.80	2.500			2.580	02/05/2024
Subtotal and Average			53,519,555.75		43,755,000.00	43,607,912.65	43,738,275.05				2.348	
US Treasury Note-GC 53601(b)												
912828H52	12116A	U.S. Treasury		12/21/2016	12,400,000.00	12,235,824.00	12,396,571.85	1.250	Aaa		1.596	01/31/2020
912828H86	12160	U.S. Treasury		08/18/2017	2,000,000.00	1,991,266.57	1,991,266.57	1.500	Aaa		1.719	01/31/2022
912828T67	12161	U.S. Treasury		08/18/2017	2,000,000.00	1,984,677.83	1,984,677.83	1.250	Aaa	AA+	1.685	10/31/2021
912828Q78	12162	U.S. Treasury		08/18/2017	2,000,000.00	1,994,026.13	1,994,026.13	1.375	Aaa		1.607	04/30/2021
912828L99	12163A	U.S. Treasury		08/18/2017	1,750,000.00	1,747,992.92	1,747,992.92	1.375	Aaa		1.517	10/31/2020
9128282P4	12179	U.S. Treasury		03/12/2018	1,250,000.00	1,227,518.76	1,227,518.76	1.875	Aaa		2.617	07/31/2022
912828K58	12210	U.S. Treasury		06/29/2018	22,400,000.00	22,319,098.36	22,319,098.36	1.375	Aaa	AA+	2.506	04/30/2020
912828XH8	12216	U.S. Treasury		07/31/2018	10,000,000.00	9,950,305.80	9,950,305.80	1.625	Aaa		2.660	06/30/2020
912828Z22	12217	U.S. Treasury		09/14/2018	5,375,000.00	5,328,577.14	5,328,577.14	1.625			2.760	10/15/2020
912828A83	12220	U.S. Treasury		10/01/2018	21,000,000.00	20,906,387.58	20,906,387.58	2.375	Aaa		2.838	12/31/2020

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Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
US Treasury Note-GC 53601(b)												
912828V31	12221	U.S. Treasury		10/01/2018	22,000,000.00	21,989,016.06	21,989,016.06	1.375	Aaa		2.710	01/15/2020
9128284B3	12224	U.S. Treasury		10/31/2018	10,100,000.00	10,043,600.26	10,043,600.26	2.375	Aaa		2.858	03/15/2021
912828B58	12225	U.S. Treasury		10/31/2018	20,000,000.00	19,846,628.19	19,846,628.19	2.125	Aaa		2.861	01/31/2021
9128284D9	12226	U.S. Treasury		11/07/2018	850,000.00	836,737.68	836,737.68	2.500	Aaa		3.017	03/31/2023
912828P79	12227A	U.S. Treasury		11/07/2018	540,000.00	515,797.00	515,797.00	1.500	Aaa		3.022	02/28/2023
912828F21	12228	U.S. Treasury		11/30/2018	20,330,000.00	20,089,641.64	20,089,641.64	2.125	Aaa		2.834	09/30/2021
912828WN6	12229	U.S. Treasury		11/30/2018	15,160,000.00	14,990,648.65	14,990,648.65	2.000	Aaa	AA+	2.824	05/31/2021
9128284W7	12230	U.S. Treasury		11/30/2018	15,000,000.00	14,980,358.95	14,980,358.95	2.750	Aaa		2.834	08/15/2021
912828XM7	12233	U.S. Treasury		12/14/2018	20,000,000.00	19,869,170.17	19,869,170.17	1.625	Aaa		2.784	07/31/2020
912828B90	12239	U.S. Treasury		12/14/2018	20,000,000.00	19,827,191.76	19,827,191.76	2.000	Aaa		2.772	02/28/2021
912828Q37	12240	U.S. Treasury		12/14/2018	19,600,000.00	19,248,730.70	19,248,730.70	1.250	Aaa	AA+	2.744	03/31/2021
9128282Q2	12241	U.S. Treasury		12/18/2018	25,550,000.00	25,363,819.79	25,363,819.79	1.500	Aaa	AA+	2.705	08/15/2020
9128283G3	12244	U.S. Treasury		01/08/2019	11,240,000.00	11,164,073.32	11,164,073.32	1.750	Aaa		2.547	11/15/2020
912828T91	12245	U.S. Treasury		01/11/2019	500,000.00	483,300.14	483,300.14	1.625	Aaa		2.557	10/31/2023
912828VB3	12246	U.S. Treasury		01/11/2019	785,000.00	764,963.70	764,963.70	1.750	Aaa		2.555	05/15/2023
912828WC0	12248	U.S. Treasury		01/14/2019	20,200,000.00	20,066,898.63	20,066,898.63	1.750	Aaa		2.566	10/31/2020
9128285R7	12251	U.S. Treasury		01/15/2019	21,750,000.00	21,794,998.18	21,794,998.18	2.625	Aaa		2.514	12/15/2021
9128283Q1	12252A	U.S. Treasury		01/15/2019	10,000,000.00	9,944,564.38	9,944,564.38	2.000			2.550	01/15/2021
9128283L2	12254	U.S. Treasury		01/31/2019	25,250,000.00	25,086,944.39	25,086,944.39	1.875	Aaa		2.572	12/15/2020
912828VJ6	12255	U.S. Treasury		01/31/2019	21,100,000.00	21,030,612.28	21,030,612.28	1.875	Aaa	AA+	2.553	06/30/2020
912828X96	12256	U.S. Treasury		01/31/2019	25,300,000.00	25,203,768.74	25,203,768.74	1.500			2.551	05/15/2020
912828Z22	12257	U.S. Treasury		01/31/2019	25,300,000.00	25,120,910.11	25,120,910.11	1.625			2.549	10/15/2020
912828L65	12258	U.S. Treasury		01/31/2019	25,500,000.00	25,282,184.77	25,282,184.77	1.375	Aaa	AA+	2.551	09/30/2020
9128284B3	12259	U.S. Treasury		01/31/2019	25,000,000.00	24,958,458.24	24,958,458.24	2.375	Aaa		2.517	03/15/2021
912828V23	12260A	U.S. Treasury		01/31/2019	625,000.00	617,771.80	617,771.80	2.250	Aaa		2.560	12/31/2023
912828U57	12261	U.S. Treasury		02/08/2019	500,000.00	493,165.51	493,165.51	2.125	Aaa		2.498	11/30/2023
912828P38	12262	U.S. Treasury		02/08/2019	700,000.00	684,849.15	684,849.15	1.750	Aaa		2.492	01/31/2023
9128284G2	12265	U.S. Treasury		02/19/2019	17,785,000.00	17,753,012.52	17,753,012.52	2.375	Aaa		2.519	04/15/2021
912828B90	12270	U.S. Treasury		02/26/2019	29,000,000.00	28,832,251.02	28,832,251.02	2.000	Aaa		2.514	02/28/2021
912828C57	12271	U.S. Treasury		02/27/2019	10,000,000.00	9,971,115.25	9,971,115.25	2.250	Aaa		2.489	03/31/2021
9128286G0	12274	U.S. Treasury		03/07/2019	400,000.00	397,168.27	397,168.27	2.375	Aaa		0.000	02/29/2024
912828WG1	12277	U.S. Treasury		03/18/2019	10,000,000.00	9,974,788.54	9,974,788.54	2.250	Aaa		2.445	04/30/2021
912828Q78	12283	U.S. Treasury		04/05/2019	10,000,000.00	9,876,705.11	9,876,705.11	1.375	Aaa		2.332	04/30/2021
912828QN3	12285	U.S. Treasury		04/09/2019	24,600,000.00	24,850,570.40	24,850,570.40	3.125	Aaa		2.357	05/15/2021
912828J84	12287	U.S. Treasury		04/09/2019	20,000,000.00	19,949,185.92	19,949,185.92	1.375	Aaa		2.401	03/31/2020

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Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
US Treasury Note-GC 53601(b)												
912828Q2	12289	U.S. Treasury		04/15/2019	17,675,000.00	17,574,154.82	17,574,154.82	1.500	Aaa	AA+	2.437	08/15/2020
912828VP2	12290	U.S. Treasury		04/23/2019	10,000,000.00	9,976,135.75	9,976,135.75	2.000	Aaa	AA+	2.419	07/31/2020
912828K58	12292	U.S. Treasury		04/26/2019	25,000,000.00	24,916,701.86	24,916,701.86	1.375	Aaa	AA+	2.410	04/30/2020
912828VP2	12293	U.S. Treasury		04/26/2019	25,000,000.00	24,947,570.01	24,947,570.01	2.000	Aaa	AA+	2.368	07/31/2020
912828VJ6	12294	U.S. Treasury		04/26/2019	25,000,000.00	24,937,253.03	24,937,253.03	1.875	Aaa	AA+	2.391	06/30/2020
912828L65	12295	U.S. Treasury		04/26/2019	25,300,000.00	25,117,381.50	25,117,381.50	1.375	Aaa	AA+	2.365	09/30/2020
912828VJ6	12296	U.S. Treasury		05/10/2019	10,000,000.00	9,975,923.64	9,975,923.64	1.875	Aaa	AA+	2.370	06/30/2020
912828WN6	12297	U.S. Treasury		05/17/2019	20,000,000.00	19,934,526.01	19,934,526.01	2.000	Aaa	AA+	2.238	05/31/2021
912828W22	12299	U.S. Treasury		05/31/2019	6,035,000.00	6,027,737.33	6,027,737.33	1.375	Aaa	AA+	2.367	02/15/2020
912828WJ5	12305	U.S. Treasury		06/06/2019	500,000.00	511,950.66	511,950.66	2.500	Aaa	AA+	1.924	05/15/2024
912828XD7	12306	U.S. Treasury		06/06/2019	500,000.00	500,063.15	500,063.15	1.875	Aaa	AA+	1.870	05/31/2022
912828S35	12309	U.S. Treasury		07/12/2019	750,000.00	738,932.21	738,932.21	1.375	Aaa	AA+	1.815	06/30/2023
912828S27	12310	U.S. Treasury		07/17/2019	20,000,000.00	19,784,329.04	19,784,329.04	1.125	Aaa	AA+	1.863	06/30/2021
912828S76	12312	U.S. Treasury		07/19/2019	20,000,000.00	19,774,912.73	19,774,912.73	1.125	Aaa	AA+	1.855	07/31/2021
912828T34	12314	U.S. Treasury		09/03/2019	30,000,000.00	29,788,920.27	29,788,920.27	1.125	Aaa	AA+	1.536	09/30/2021
912828Q29	12320	U.S. Treasury		09/06/2019	950,000.00	954,762.23	954,762.23	1.500	Aaa	AA+	1.341	03/31/2023
912828T67	12330	U.S. Treasury		11/18/2019	40,350,000.00	40,079,360.46	40,079,360.46	1.250	Aaa	AA+	1.624	10/31/2021
912828YM6	12331	U.S. Treasury		11/19/2019	170,000.00	168,684.01	168,684.01	1.500	Aaa	AA+	1.668	10/31/2024
912828U81	12335	U.S. Treasury		11/27/2019	25,000,000.00	25,192,899.82	25,192,899.82	2.000	Aaa	AA+	1.605	12/31/2021
912828S27	12336	U.S. Treasury		11/27/2019	25,000,000.00	24,811,864.65	24,811,864.65	1.125	Aaa	AA+	1.636	06/30/2021
912828RR3	12337	U.S. Treasury		11/27/2019	25,800,000.00	25,989,833.19	25,989,833.19	2.000	Aaa	AA+	1.599	11/15/2021
912828F6	12339	U.S. Treasury		12/16/2019	9,575,000.00	9,491,909.26	9,491,909.26	1.125	Aaa	AA+	1.656	08/31/2021
9128287A2	12342	U.S. Treasury		12/19/2019	25,000,000.00	24,985,692.22	24,985,692.22	1.625	Aaa	AA+	1.663	06/30/2021
912828Q37	12343	U.S. Treasury		12/19/2019	25,000,000.00	24,878,472.22	24,878,472.22	1.250	Aaa	AA+	1.645	03/31/2021
912828M98	12344	U.S. Treasury		12/19/2019	25,000,000.00	24,998,120.05	24,998,120.05	1.625	Aaa	AA+	1.633	11/30/2020
912828YT1	12345	U.S. Treasury		12/19/2019	24,900,000.00	24,838,886.59	24,838,886.59	1.500	Aaa	AA+	1.608	11/30/2021
Subtotal and Average			925,223,562.33		1,067,345,000.00	1,062,486,253.02	1,062,647,000.87				2.287	
Supranationals												
4581X0CX4	12201	Inter-America Devel BK		05/31/2018	12,975,000.00	12,933,052.44	12,933,052.44	1.625	Aaa	AAA	2.541	05/12/2020
459058GA5	12195	INTL BK RECON & DEVELP		04/30/2018	15,000,000.00	14,897,646.33	14,897,646.33	1.626	Aaa	AAA	2.675	09/04/2020
459058FA6	12199	INTL BK RECON & DEVELP		05/25/2018	10,000,000.00	9,970,837.44	9,970,837.44	1.376	Aaa	AAA	2.591	03/30/2020
Subtotal and Average			43,943,175.66		37,975,000.00	37,801,536.21	37,801,536.21				2.607	

Portfolio INVT

AP

PM (PRF_PM2) 7.3.0

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Asset Backed Security(GNMA/CMO)												
05522RCW6	12206	BACCT 2017		06/13/2018	10,000,000.00	9,841,406.25	9,841,406.25	1.950	Aaa		2.896	08/15/2022
Subtotal and Average			9,841,406.25		10,000,000.00	9,841,406.25	9,841,406.25				2.896	
Municipal Bonds												
13063DGA0	12192	California TXBL		04/25/2018	290,000.00	290,004.94	290,004.94	2.800	Aa3	AA-	2.799	04/01/2021
Subtotal and Average			290,005.43		290,000.00	290,004.94	290,004.94				2.799	
Total and Average			1,671,728,211.91		1,853,827,448.71	1,848,747,198.94	1,849,198,378.02				2.241	



Exhibit C Monterey County Aging Report By Maturity Date As of January 1, 2020

Aging Interval:	Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
0 days (01/01/2020 - 01/01/2020)	14 Maturities	347,077,448.71	18.72%	347,077,448.71
1 - 90 days (01/02/2020 - 03/31/2020)	8 Maturities	99,090,027.98	5.35%	97,932,715.15
91 - 365 days (04/01/2020 - 12/31/2020)	40 Maturities	588,457,864.18	31.74%	582,658,994.59
366 - 730 days (01/01/2021 - 12/31/2021)	71 Maturities	745,319,882.79	40.20%	739,222,177.55
731 - 1095 days (01/02/2022 - 12/31/2022)	21 Maturities	63,317,225.07	3.42%	71,837,307.27
1096 - 1460 days (01/01/2023 - 12/31/2023)	15 Maturities	7,650,000.00	0.41%	7,536,370.59
1461 days and after (01/01/2024 -)	10 Maturities	2,915,000.00	0.16%	2,933,364.16
Total for 179 Investments		1,853,827,448.73	100.00	1,849,198,378.02

