TEMPLE CITY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Temple City Unified School District
Temple City, 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 Temple City Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

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 Temple City Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district contributions on pages 72 through 75, 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 Temple City Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other 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 October 11, 2017, on our consideration of the Temple City Unified 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 Temple City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Temple City Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 11, 2017

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of these categories of activities: governmental and fiduciary.

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

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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 Temple City Unified School District.

DISTRICT-WIDE STATEMENTS

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.

The relationship between revenues and expenses is the District's *operating results.* Since the 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 separate the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - 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. The District's fiduciary activities are reported in a separate *Statement of 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.

INTRODUCTION AND OVERVIEW

The Management Discussion and Analysis (MD & A) provides a general review and required supplementary information about the Temple City Unified School District (District)'s financial activities in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34. The MD & A is part of the Annual Audit of the District, and presents objective and easily readable analysis of fiscal performance for 2016-2017. The financial statements and information contained in the MD & A illustrate positive and negative trends, conditions, circumstances, and decisions that have impacted the District's financial position.

The financial statements contained in the MD & A reflect a style of reporting that is consistent with standard private-sector financial statements, and allows potential bond investors, rating agencies, and other interested parties to more easily assess District fiscal activity and underlying strengths and weaknesses. The MD & A documents serve as an adjunct to traditional District financial statements, which typically do not show net position, and should be considered as additional tools in assessing fiscal performance.

The real value in requiring public school districts to maintain two separate sets of financial statements, primarily to satisfy potential investors, is debatable. For example, net position valuations (after depreciation, related debt, restrictions, and liabilities) for public school property do little to improve our decision-making process. Hopefully the MD & A will address the greater need for improving transparency of District budgetary and operating processes.

DISTRICT PROFILE

Situated just southeast of Pasadena, the District, established in 1954, operates four elementary schools, one intermediate school, one high school, one continuation school, and a self-funded Extended Learning Program before and after school program. Encompassing about five square miles, the District includes portions of the cities of Temple City, San Gabriel, and Arcadia. District governance is provided by a five-member Board of Trustees, whose members are elected to four-year terms.

EMPLOYEES

As of June 30, 2017, the District employed about 277 certificated professionals, 268 classified employees, and about 33 management, supervisory, and confidential employees. The pupil-teacher ratio is 24:1 for kindergarten through grade 3 and 32:1 for grades 4 through 12.

The District employed about 578 total full and part-time employees. Bargaining units represent the certificated and classified employees. Certificated employees are represented by the Temple City Education Association (TCEA), which operates as an affiliate of the California Teachers Association and the National Education Association. The TCEA contract expired on June 30, 2017 and allows annual re-openers for salary and benefit negotiations. Classified employees are represented by the California School Employees Association (CSEA). The CSEA contract expired on June 30, 2017 and also includes annual re-openers for salary and benefit negotiations. All contracts are settled for total compensation in the 2016-2017.

RETIREMENT PROGRAMS

The District participates in the State of California Teachers Retirement System (STRS), which provides benefits to most certificated employees. The District contributes 12.58 percent of STRS member's salaries, or $3,240,491 for 2016-2017. The State of California Public Employees Retirement System (PERS) provides benefits to classified employees who work more than 20 hours per week or have worked over 1,000 hours in a fiscal year. The District contributes 13.89 percent of salaries for those employees covered by PERS and this contribution totaled $1,177,850 for 2016-2017.

OUTSTANDING DEBT

The District held a general obligation bond (G.O. bonds) authorization election during the 1997-1998 fiscal year. The voters approved issuance of $24,000,000 in G.O. bonds. The District sold the first issue (Series A) of G.O. bonds totaling $18,593,250 on August 1, 1998. On September 1, 2001 the District sold the second issue (Series B) of G.O. bonds totaling $5,406,501. In June, 2005, the District refinanced $12,745,000 of the above mentioned G.O. bonds obtaining a much reduced interest rate. With interest rates near an all-time low in comparison to the last forty years, the School District decided to look at refinancing its bonds. The outstanding balances as of June 30, 2017 for 1998 and 2005 series are $22,269,552.

In July of 2013, the District issued 2012 General Obligation Bonds Series A, in the amount of $39,998,164. The proceeds will be used to improve school facilities, technologies, and to maintain high quality education.

For the fiscal year ended June 30, 2017, the District refunded $16,904,647 of 2012 Series A G.O. bonds with a balance remaining of G.O. bonds outstanding plus additional accumulated accreted interest on the future capital appreciation bonds in the amount of $336,946. Total combined balance at June 30, 2017, is $23,619,838 for G.O. bonds including accreted interest.

During 2016-2017 the District issued 2012 series B $33,457,588 G.O. bonds with current interest and capital appreciation bonds. Additional accumulated accreted interest on the future capital appreciation bonds in the amount of $ 61,532 for a total of $33,519,520.

During 2016-2017 the District issued $19,745,000 of 2017 Refunding G.O. bonds with current interest only to refund a portion of the 2012 Series A GO Bond noted above.

Additional debt outstanding includes capital lease payables, other post-employment benefits, compensated absences and early retirement incentive (see Note 8 for more details).

Net Pension Liability (NPL)

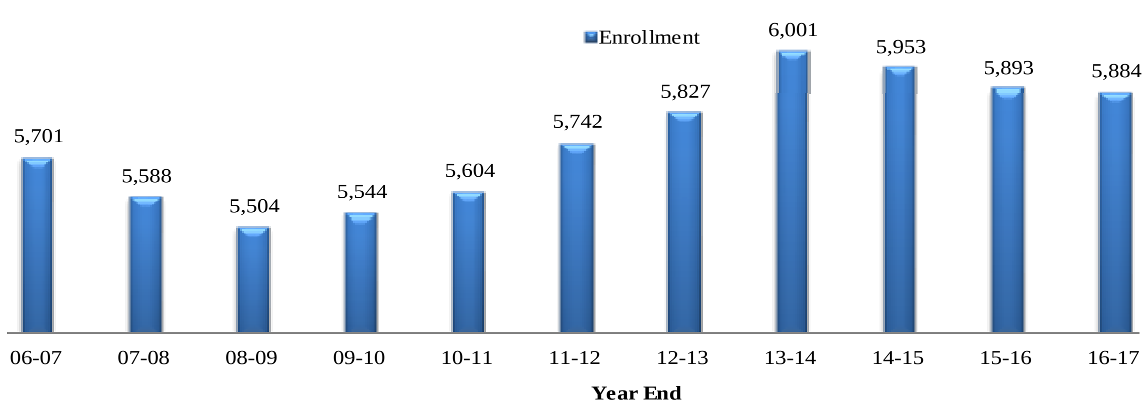
At year-end, the District had a pension liability of $55,124,692, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ENROLLMENT TREND

The District decreased enrollment in 2016-2017. Enrollment in 2016-2017 was 5,884 students, a decrease of about 9 students over the prior year.

The District continues to collect data to help anticipate the length and depth of this enrollment trend, and to aid in decisions on the larger issues of facility use, school size, enrollment boundaries, and ethnic balance. Table 1 recaps the recent enrollment trend.

Table 1: District Enrollment Trend



FINANCIAL HIGHLIGHTS OF THE GENERAL FUND FOR 2016-2017

Beginning and Ending Balances

The District's beginning General Fund Balance as of July 1, 2016, was $17,769,412 of which $3,552,542 was either restricted (categorical) or nonspendable. The ending General Fund Balance as of June 30, 2017, was $18,990,489 with $3,391,755 of this total being either restricted or nonspendable. The increase in unrestricted General Fund unassigned reserves from 2015-2016 to 2016-2017 was $488,468 or 4.71% of General Fund expenditures. .

Local Control Funding Formula

The District received $48,938,692 or an increase of $4,032,033 more in Local Control Funding Formula (LCFF) in 2016-2017. School districts receive the primary base of their funding from the Local Control Funding Formula which has a base grant dollar amount for each child that is in attendance on average during the course of the year, based on grade level (see table below). This dollar amount is assigned to the districts as the funding base for expenditures that can be determined by the Board of Education. LCFF funding for the District represents about 92 percent of our unrestricted General Fund income.

Grade Span	2016-2017 Base Grant
K-3	$7,820
4-6	$7,189
7-8	$7,403
9-12	$8,801

Average daily attendance (ADA) is a measurement of the District's population served by the local agency. Note that the District is funded based upon attendance and not enrollment. An absence by a student on average leads to a loss in the District's income of about $40 per day. As a consequence, it is very important that the District ensure that students are in attendance unless there are specific reasons for the child to be excused. District's attendance remains at about 97 percent of the enrollment.

School districts are the only public agency in California that is funded based upon the population it serves. Cities, counties, or special districts do not receive more or less income because of a change in their population, only schools have a variable in total funding based upon population. As a consequence, a district that has growth in enrollment will have growth in its total revenue limit income from one school year to the next. A district that declines in population, however, will decline in its income. It is very difficult to manage a district that consistently declines in student attendance since the consistent revenue reduction has a deteriorating effect on the expenditure options that are available to the local agency. The District decreased enrollment in 2016-2017 over 2014-2015. The District had experienced the past two years of declining enrollment totaling 69 less students.

Other Revenues

Federal revenues, led by the Every Student Succeeds Act (ESSA) programs, has leveled off as the Federal government attempts to provide support for English language learners, immigrant students, Federal and poor performing students, and schools. Federal revenues in 2016-2017 provided $2,240,274 or about 3.63 percent of total General Fund revenues. This represents a $95,763 decrease from 2015-2016. Federal funding for special education falls well below costs of mandated services. This program alone encroached approximately $5.0 million on the General Fund in 2016-2017. The target of Federal dollars providing 40 percent of the costs of mandates is still years away.

State revenues are comprised of categorical programs, that is, funding which is restricted for specific purposes and unrestricted programs. The largest of these restricted programs include: Special Education, Student Transportation, School Improvement Program, Economic Impact Aid, Instructional Materials, and several other smaller programs totaling over 22 programs. State revenues in 2016-2017 provided $6,153,721 or about 9.99 percent of total governmental fund revenues.

Local revenues, such as rental income, interest income, donations, and Redevelopment Agency proceeds totaled $4,282,390 about 6.95 percent of total General Fund revenue for 2016-2017. Interest rate declines over the past several years have continued to reduce interest income on District funds that are kept in the Los Angeles County Treasury Investment Pool. Interest rate for the District averaged 0.98 percent for 2016-2017.

Expenditures

Total general fund expenditures for 2016-2017 were $59,094,000 up from $54,100,746 in 2015-2016, an increase of $4,993,254.

Net expenditure levels for Certificated Salaries increase $873,257 from 2015-2016. Classified Salaries increase by $832,227 in 2016-2017. Employee Benefits increase by $1,363,131 in 2016-2017. Employee Salary and Benefits totaled $49,096,883, which represents 83.08 percent of 2016-2017 expenditures.

Expenditures for Books, Supplies and Non-Capitalized Equipment increased by $1,101,887 in 2016-2017.

Totals for Services and Other Operating Expenses increased by $1,112,294 in 2016-2017. Expenditures totaled $6,266,838 in this category, which represents 10.60 percent of 2016-2017 expenditures.

Capital outlay expenditures decreased by $182,156 in 2016-2017. Expenses totaled $281,116 in this category, which represents 0.48 percent of 2016-2017 expenditures.

Transfers Out

The District made transfer from General Fund to the other funds (Deferred Maintenance) in the amount of $1,300,000 for during 2016-2017.

General Fund transferred $250,000 to Special Revenue Fund for post-employment benefits.

Transfers In

The General Fund did not receive any transfer from other funds.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(23,863,590) for the fiscal year ended June 30, 2017. Of this amount, $(48,969,166) was unrestricted. Restricted net position is reported separately to shows legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 64,249,433	$ 46,557,860
Capital assets	76,859,963	61,878,225
Total Assets	141,109,396	108,436,085
Deferred Outflows of Resources	16,107,147	7,054,365
Liabilities		
Current liabilities	8,683,051	7,873,340
Long-term obligations	112,914,621	75,018,327
Aggregate net pension liability	55,124,692	47,981,067
Total Liabilities	176,722,364	130,872,734
Deferred Inflows of Resources	4,357,769	4,685,831
Net Position		
Net investment in capital assets	16,939,845	9,984,864
Restricted	8,165,731	23,899,075
Unrestricted	(48,969,166)	(53,952,054)
Total Net Position (deficit)	$ (23,863,590)	$ (20,068,115)

Government-wide Statement of Activities

Government-wide Statement of Net Position, the District's net position was $(23,863,590) for the fiscal year ended June 30, 2017. Of this amount, $(32,029,321) was net investment in capital assets and unrestricted. The $40,989,210 in restricted net position reflects activities that have limitations on how funds are spent and are reported separately to show legal constraints that limit the Board's ability to use those net positions for regular operations purposes.

Total assets were $141.1 million as of June 30, 2017, and of this total $64.2 million represents non-capital current assets such as cash and accounts receivable. Net capital assets totaled $76.9 million after deducting accumulated depreciation. This is the tenth year of conversion to GASB 34 reporting formats and capital asset valuations (assets over $5,000) were determined using the straight-line methodology. Land, valued at $2.0 million, reflects the historically much lower acquisition cost for District property. Current replacement cost for land the District owns would be 60 or 70 times higher than this book valuation. The total for accumulated depreciation was calculating by using acquisition costs for all capital assets and then applying straight-line depreciation using state guidelines for estimating useful life. The large ending balances for cash and accounts receivable are also indicators of a strong financial position for the District as the end of 2016-2017.

Total liabilities were $176.7 million as of June 30, 2017, and of this total, $10.9 million is short-term accounts payable and unearned revenue (revenue that is received but not spent in the fiscal year and is deferred to the following year is considered a liability and temporary loan). The long-term liability total of $110.7 million is the sum of the bonds payable, the capital lease payable, compensated absences payable and unmatured interest payable on the capital appreciation bonds. The $100.8 million in G.O. bonds, which were sold in four issues between 1998 and 2012, are being retired over a thirty - year time-span. The remaining newly added debt is the aggregated net pension liability of $55.1 million for PERS and STRS underfunded retirements.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 22. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 1,686,287	$ 1,509,153
Operating grants and contributions	7,391,047	6,876,560
General revenues:		
Federal and State aid not restricted	39,220,102	40,719,539
Property taxes	16,052,602	12,992,343
Other general revenues	5,377,252	6,426,631
Total Revenues	69,727,290	68,524,226
Expenses		
Instruction-related	49,272,043	43,942,675
Student support services	6,232,600	5,684,266
Administration	6,004,523	4,172,089
Plant services	7,318,731	5,708,033
Other	4,694,868	4,149,914
Total Expenses	73,522,765	63,656,977
Change in Net Position	$ (3,795,475)	$ 4,867,249

Government-wide Statement of Activities is a District-wide report that contains additional summary information on how the changes in net position resulted from District operational activities during 2016-2017. Total Program revenues by major sources of $9,077,334 include $1,686,287 from charges for services such as Food Services sales, and $7,391,047 of Operating Grants and Contributions. The Operating Grants include $5.6 million of restricted state and federal categorical revenue for instruction and instruction related services, such as the Federal Every Student Succeeds Act (ESSA) programs, and state programs like School Improvement Program (SIP) and Special Education. Pupil services grants of $1.5 million were received for special education, student transportation, and food services' free and reduced meal program. Other general administration grants of $279,697 are comprised of the G & A components of these diverse Federal and State categorical programs. The restricted nature of these Local Control Funding Formula (LCFF) District flexibility in routing available funding where it is needed most and illustrate the politicized nature of school finance.

General revenues totaled $60,649,956 in 2016-2017, the largest part of which is local property taxes at $11,388,705. Taxes levied for debt service of the G.O. bonds totaled $4,646,097. Unrestricted Federal and State grants of $39,220,102 are funded for apportionment and programs such as the K – 3rd Grade Class Size Reduction, and the Lottery. Interest earnings on cash balances were $381,667 and miscellaneous revenues, primarily from rental income, donations, and redevelopment proceeds, were $4,995,585 for 2016-2017.

Total 2015-2016 District revenues were $69,727,290 and total expenses were $73,522,765. Program expenses totaled $49,272,043 for instruction and instruction related services. Pupil service expenses for food service and other pupil services totaled $6,232,600 in 2016-2017. General administration costs were $6,004,523, and plant services were $7,318,731. Ancillary and community service costs totaled $139,481. The interest payments on long-term debt were $3,971,989. Labor costs in 2016-2017 represented about 84.16 percent of total expenditures. Beginning net position at July 1, 2016, was a negative $20,068,115 and the ending net position at June 30, 2017 is a negative $24,935,364.

The conversion in 2001-2002 of District accounts to the mandated State Account Code Structure (SACS) formats have allowed extraction by function of information now presented on the GASB 34 statements shown above. This is a useful tool in analysis of District fiscal operations.

Determination of Major Funds is a worksheet to identify the District's most significant Governmental and Enterprise Funds, called major funds, as defined by GASB 34. The District's General Fund is always reported as a major fund. Other Funds are classified as major if the following criteria are met:

a. Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities etc.) of all funds of that category; **and**

b. Total assets, liabilities, revenues, or expenditures of the individual governmental fund or enterprise fund are at least five percent of the total for all governmental and enterprise funds combined.

The District General Fund, Building Fund, and Bond Interest & Redemption Fund qualify as major funds according to the criteria.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $56,900,258 which is an increase of $17,306,592 from last year (Table 3).

Table 3

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General	$ 17,769,412	$ 61,615,077	$ 60,394,000	$ 18,990,489
Cafeteria	981,344	2,113,275	2,329,966	764,653
Child Development	18,659	741,793	738,493	21,959
Adult Education	171,649	1,888	-	173,537
Deferred Maintenance	1,406,074	1,303,583	2,426,159	283,498
Special Reserve Fund for Capital Outlay Projects	-	466	-	466
Bond Interest and Redemption	3,507,270	25,101,750	24,564,111	4,044,909
Building	14,416,935	33,527,671	16,455,003	31,489,603
Capital Facilities	1,322,323	611,725	802,904	1,131,144
Total	**$ 39,593,666**	**$ 125,017,228**	**$ 107,710,636**	**$ 56,900,258**

The primary reason for this increase is LCFF funding in the General Fund and increase in the Building Fund from issuance of new general obligation bonds in 2016-2017.

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 28, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 72).

The primary factors are as follows:

Revenues

- *LCFF:*
    - 3% RRMA Revenue transfer amount decrease due to decrease in overall expenditures for General Fund by $85,267 and a minor increase of $2,925 for LCFF Revenue.
- *Federal Revenue:*
    - The funding for Title programs did not change, but the unspent $220,150 for Title programs are adjusted with Revenue as Grant money is not due to District until it gets spent;
    - MAA –Medical projected $75,000, but received $212,201, per CDE this program cannot be budgeted unless received.

- *Other State Revenue:*
    - CDE release Lottery Unrestricted and Restricted funds accruals for $87,000 and $73,000 after projected;
    - Prop 39 Energy funding received, but not projected;
    - Other state programs such as Low Incidence, Special Ed. Local Assistance funding changes by $15,000.
- *Other Local Revenue:*
    - Special Ed AB602 and Regionalized program prior year adjustment revenue received for $326,000;
    - Additional Microsoft Voucher settlement received for $37,000.

Expenses

- Salaries and benefits incurred **less** than projected by $1,216,878.
    - LCFF-Targeted was underspent by $445,889;
    - Retiree Benefits was over budgeted by $465,580;
    - Title programs and Special Ed programs were underspent by $305,409;
- Materials and supplies incurred **less** than projected by 1,594,535;
- Restricted Lottery carryover was budgeted, but will be carried over by $233,380;
- The Restricted programs were **less** spent than projected by:
    - Title I $20,325
    - Title III – Immigrant Education $8,687
    - Title III – LEP $59,254
- State Mental Health has a funding for $338,000, but does not have enough expenditures and leaves a balance of 592,137;
- Facilities Rent and Donations budgeted, but not spent by $861,604;
- Other $285,908;
- All of the One -time funding was budgeted, $311,848 did not get spent;
- Maintenance supplies such as purchase of water pump, used golf carts for an additional of $25,940;
- Service and Operating expenses were **less** than projected by $587,183;
- LCFF-Targeted was underspent by $155,280;
- All of the one-time funding was budgeted $550,587 was not allocated to spend;
- State Mental Health has a funding for $338,000 but does not have enough expenditures and leaves a balance of $130,909 for Services and Operating expenses;
- Other – The Special Education Program spent additional on speech therapies and other therapies services for $211,586 and donations were spent on various services for $38,007;

- Other expenses were **more** than projected by $556,347;
- One-time funding was expended for Maintenance and Operations special projects for $314,305 such as:
  - Used Truck purchase $30,000;
  - Storage containers $34,000;
  - Cement Mixer, forklift and Jetter purchase $46,000;
  - Site repair and construction for TCHS $128,000;
  - Cloverly/La Rosa Exterior painting $103,000;
  - Other - $89,661 was spent on Brocade Enterprise switches;
  - Prior year Regional program expenses adjustments for $105,434;
  - A decrease in indirect costs for Title programs and Food Services of $46,947 due to a decrease in expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $76,859,963 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $14,981,738, or 24.2 percent, from last year (Table 4).

Table 4

	Governmental Activities	
	2017	2016
Land and construction in progress	$ 4,643,965	$ 28,260,826
Land Improvements, net of accumulated depreciation	3,485,670	3,179,983
Buildings and improvements, net of accumulated depreciation	67,225,753	29,454,269
Equipment, net of accumulated depreciation	1,504,575	983,147
Total	$ 76,859,963	$ 61,878,225

This year's additions of $58,178,685 included the completion of multiple school site modernization projects and classroom equipment such as computers. Existing general obligation bond fund was used for the majority of construction and other District reverses for equipment.

Several capital projects are planned for the 2017-2018 year. We anticipate capital additions to be $16 million for the 2017-2018 fiscal year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $100.8 million in bonds outstanding versus $64.2 million last year, an increase of 56.9 percent. Those bonds consisted of:

Table 5

	Governmental Activities	
	2017	2016
General obligation bond	$ 100,758,696	$ 64,214,756
Supplemental early retirement program	-	82,991
Accumulated vacation (net)	873,744	624,086
Capitalized lease obligations	3,579,601	3,871,003
Net OPEB obligation	7,702,580	6,225,491
Total	$ 112,914,621	$ 75,018,327

ASSUMPTIONS FOR THE 2017 – 2018 BUDGET

Most of the parameters and assumptions made for the 2017-2018 budget have been explained in the preceding pages, but some additional detail is provided below for clarity:

- Supports student educational achievement and programs;
- Staffing ratios maintained to comply with Board agreements;
- Direct and indirect charges applied where legally allowed;
- Transfers from the General Fund Reserves requires Board approval:
  - 1.56% Cost Of Living Adjustment (2017-2018)
  - 2.15% Cost Of Living Adjustment (2018-2019)
  - 2.35% Cost of Living Adjustment (2019-2020)
- LCFF Gap Funding per year:
  - $1,232,009 (2017-2018)
  - $1,904,932 (2018-2019)
  - $1,438,275 (2019-2020)
- Step and Column costs are included in all years
- Estimated Retiree Health Benefits $480,000 in 2017-2018; $480,000 in 2018-2019; and $480,000 in 2019-2020;
- Deferred maintenance of $1,727,272 in 2017-2018; $1,745,867 in 2018-2019 and $1,721,125 in 2019-2020;

- Reserves meet 3% State minimum and 2% per Board Policy;
- Commitment of reserve to address OPEB Unfunded Liability;
- $500,000 in 2017-2018, $750,000 in 2018-2019 and $1,000,000 in 2019-2020;
- Increase 2.6 FTE for Teachers, cost of $297,891;
- Change in workers' compensation rate from 2.46% to 3.02% - additional cost of $192,950;
- Change in STRS rate from 12.58% to 14.43% - additional cost of $512,290;
- Change in PERS rate from 13.888% to 15.531% - additional cost of $148,790;
- Increase in translation budget of $25,000;
- Increase in utilities budget of 6.4% - additional cost of $89,970.

These changes to the District Budget were made on the approved 2017-2018 fiscal budget dated June 30, 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The purpose of the report is to provide citizens, students, investors, and creditors a general overview of the District's finances and to show accountability for the resources it receives. The unsettled nature of California school finance makes consistency and stability a challenging task, but it is hoped that this material will further the understanding of District operating performance. The substance of this report will evolve each year in conjunction with input from our independent auditors, the public, and District staff.

If you have questions about this report or need any additional information, please contact Marianne Sarrail, Chief Business Official at 9700 Las Tunas Drive, Temple City, CA 91780 or by phone at (626) 548-5018.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 61,399,843
Receivables	2,123,099
Prepaid expenses	356,760
Stores inventories	33,175
Other current assets	336,556
Capital assets	
Land and construction in process	4,643,965
Other capital assets	104,204,685
Less: Accumulated depreciation	(31,988,687)
Total Capital Assets	76,859,963
Total Assets	141,109,396
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,782,277
Deferred outflows of resources related to pensions	12,324,870
Total Deferred Outflows of Resources	16,107,147
LIABILITIES	
Accounts payable	7,314,154
Accrued interest payable	1,333,876
Unearned revenue	35,021
Long-term obligations	
Current portion of long-term obligations other than pensions	2,225,000
Noncurrent portion of long-term obligations other than pensions	110,689,621
Total Long-Term Obligations	112,914,621
Aggregate net pension liability	55,124,692
Total Liabilities	176,722,364
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,357,769
Total Deferred Inflows of Resources	4,357,769
NET POSITION	
Net investment in capital assets	16,939,845
Restricted for:	
Debt service	2,711,033
Capital projects	1,131,144
Educational programs	3,587,251
Other activities	736,303
Unrestricted	(48,969,166)
Total Net Position	$ (23,863,590)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
JUNE 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Total Governmental Activities**
Governmental Activities:				
Instruction	$ 43,188,976	$ 579,622	$ 5,189,080	$ (37,420,274)
Instruction-related activities:				
Supervision of instruction	1,687,153	14,350	372,682	(1,300,121)
Instructional library, media and technology	726,203	6	55,763	(670,434)
School site administration	3,669,711	-	8,082	(3,661,629)
Pupil services:				
Home-to-school transportation	627,592	-	-	(627,592)
Food services	2,359,171	957,567	770,647	(630,957)
All other pupil services	3,245,837	60,440	715,096	(2,470,301)
Administration:				
Data processing	2,808,393	156	635	(2,807,602)
All other administration	3,196,130	43,952	156,146	(2,996,032)
Plant services	7,318,731	157	638	(7,317,936)
Facility acquisition and construction	-	-	-	-
Ancillary services	139,424	-	-	(139,424)
Community services	57	-	-	(57)
Enterprise services	393,495	-	-	(393,495)
Interest on long-term obligations	3,971,989	-	-	(3,971,989)
Other outgo	189,903	30,037	122,278	(37,588)
Total Governmental Activities	$ 73,522,765	$ 1,686,287	$ 7,391,047	(64,445,431)

General Revenues and Subventions:	
Property taxes, levied for general purposes	11,388,705
Property taxes, levied for debt service	4,646,097
Taxes levied for other specific purposes	17,800
Federal and State aid not restricted to specific purposes	39,220,102
Interest and investment earnings	381,667
Miscellaneous	4,995,585
Total General revenues and Subventions	60,649,956
Change in Net Position	(3,795,475)
Net Position - Beginning	(20,068,115)
Net Position - Ending	$ (23,863,590)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 20,731,965	$33,891,275	$ 4,044,909
Receivables	1,655,469	160,206	-
Prepaid expenditures	356,760	-	-
Stores inventories	4,824	-	-
Other current assets	336,556	-	-
Total Assets	$ 23,085,574	$34,051,481	$ 4,044,909
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 4,084,345	$ 2,561,878	$ -
Unearned revenue	10,740	-	-
Total Liabilities	4,095,085	2,561,878	-
Fund Balances:			
Nonspendable	376,584	-	-
Restricted	3,391,755	31,489,603	4,044,909
Committed	-	-	-
Assigned	4,354,245	-	-
Unassigned	10,867,905	-	-
Total Fund Balances	18,990,489	31,489,603	4,044,909
Total Liabilities and Fund Balances	$ 23,085,574	$34,051,481	$ 4,044,909

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

Non-Major Governmental Funds	Total Governmental Funds
$ 2,731,694	$ 61,399,843
307,424	2,123,099
-	356,760
28,351	33,175
-	336,556
$ 3,067,469	$ 64,249,433
$ 667,931	$ 7,314,154
24,281	35,021
692,212	7,349,175
28,350	404,934
2,062,943	40,989,210
283,498	283,498
466	4,354,711
-	10,867,905
2,375,257	56,900,258
$ 3,067,469	$ 64,249,433

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 56,900,258
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 108,848,650	
Accumulated depreciation is:	(31,988,687)	
Net Capital Assets		76,859,963
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but are not recognized on the accrual basis.		3,782,277
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		4,418,341
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,333,876)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		(1,000,855)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		5,394,576
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(443,073)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(401,888)

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

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

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (55,124,692)
Long-term obligations, including general obligation bonds, certificates of participation, capital lease obligations, compensated absences, and postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ 99,153,510	
Premium on issuance, net of amortization	1,605,186	
Capital lease obligations	3,579,601	
Compensated absences - accumulated vacation	873,744	
Net OPEB obligation	7,702,580	
Total Long-Term Obligations		(112,914,621)
Total Net Position - Governmental Activities		**$ (23,863,590)**

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 48,938,692	$ -	$ -
Federal sources	2,240,274	-	-
Other State sources	6,153,721	-	38,445
Other local sources	4,282,390	243,083	4,902,957
Total Revenues	61,615,077	243,083	4,941,402
EXPENDITURES			
Current			
Instruction	38,065,260	-	-
Instruction-related activities:			
Supervision of instruction	1,600,304	-	-
Instructional library, media and technology	672,706	-	-
School site administration	3,256,348	-	-
Pupil services:			
Home-to-school transportation	586,422	-	-
Food services	-	-	-
All other pupil services	3,017,585	-	-
Administration:			
Data processing	2,733,372	-	-
All other administration	2,858,979	-	-
Plant services	5,348,776	-	-
Facility acquisition and construction	-	16,455,003	-
Ancillary services	135,623	-	-
Community services	-	-	-
Other outgo	12,465	-	-
Enterprise services	393,495	-	-
Debt service			
Principal	291,402	-	17,707,701
Interest and other	121,263	-	6,856,410
Total Expenditures	59,094,000	16,455,003	24,564,111
Excess (Deficiency) of Revenues Over Expenditures	2,521,077	(16,211,920)	(19,622,709)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources	-	33,284,588	20,160,348
Transfers out	(1,300,000)	-	-
Net Financing Sources (Uses)	(1,300,000)	33,284,588	20,160,348
NET CHANGE IN FUND BALANCES	1,221,077	17,072,668	537,639
Fund Balance - Beginning	17,769,412	14,416,935	3,507,270
Fund Balances - Ending	$ 18,990,489	$ 31,489,603	$ 4,044,909

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 48,938,692
1,051,618	3,291,892
67,294	6,259,460
2,353,818	11,782,248
3,472,730	70,272,292
606,156	38,671,416
-	1,600,304
-	672,706
132,337	3,388,685
-	586,422
2,228,829	2,228,829
-	3,017,585
-	2,733,372
119,066	2,978,045
1,390,430	6,739,206
1,820,704	18,275,707
-	135,623
-	-
-	12,465
-	393,495
-	17,999,103
-	6,977,673
6,297,522	106,410,636
(2,824,792)	(36,138,344)
1,300,000	1,300,000
-	53,444,936
-	(1,300,000)
1,300,000	53,444,936
(1,524,792)	17,306,592
3,900,049	39,593,666
$ 2,375,257	$ 56,900,258

TEMPLE CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 17,306,592
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeded capital outlay in the period.		
Capital outlays	$ 18,106,819	
Depreciation expense	(3,125,081)	
Net Expense Adjustment		14,981,738
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used was more than amounts earned by $82,991. Vacation used was less than amounts earned by $249,648.		(166,667)
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.		(1,209,845)
In the Statement of Activities Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by $1,477,089.		(1,477,089)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2017

Repayment of 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		$ 18,519,647
Capital lease obligations		291,402
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net effect of the amortization of the related items:		
Premium on issuance for general obligation bonds	$ 112,007	
Amortization of deferred amount on refunding	(177,438)	
Combined Adjustment		(65,431)
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 two factors. First, accrued interest increase by $424,730 and second, $1,118,041 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,542,771)
Change in Net Position of Governmental Activities		$ (3,795,475)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Fund
	Associated Student Body
ASSETS	
Deposits and investments	$ 392,819
Stores inventories	7,902
Total Assets	$ 400,721
LIABILITIES	
Due to student groups	$ 400,721

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The Temple City Unified School District (the District) accounts for its financial transactions in accordance with policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Reporting Entity

The reporting entity is the Temple City Unified School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and GASB Statement No. 61.

Other Related Entity

Joint Powers Authority The District is associated with the West San Gabriel Joint Powers Authority (WSG JPA). This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- West San Gabriel Fringe Benefits Self-Insurance Authority
- West San Gabriel Liability and Property Self-Insurance Authority
- West San Gabriel Workers' Compensation Joint Powers Authority

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in the fund balance of $1,221,077.

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.

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).

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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 four classifications: pension trust funds, investment trust funds, 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. The District does not have pension trust funds, investment trust funds, or private-purpose trust funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District has one agency fund that 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 financial *Statement of Activities* presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. 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 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 net asset use.

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

Governmental Funds All governmental funds are accounted for using a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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 requirements. 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 combined balance sheet and revenue is recognized.

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

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

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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-type 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. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial *Statement of Net Position*. The valuation basis for general capital assets are 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 of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment 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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities *Statement of Net Position*. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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 five 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. The District has related debt outstanding as of June 30, 2017. 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 $8,165,731 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

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 Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

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

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

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

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

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

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

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

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

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

Specifically, this Statement addresses the following topics:

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 61,399,843
Fiduciary funds	392,819
Total Deposits and Investments	$ 61,792,662

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

Cash on hand and in banks	$ 758,232
Cash in revolving	15,000
Investments	61,019,430
Total Deposits and Investments	$ 61,792,662

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; the Los Angeles County Investment Pool.

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government.

Interest Rate Risk

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

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

Investment Type	Fair Value	Maturity Date
Los Angeles County Investment Pool	$ 60,656,181	672

*Weighted-average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated.

Investment Type	Minimum Legal Rating	Rating as of June 30, 2017	Fair Value
Los Angeles County Investment Pool	Not Required	Not Required	$ 60,656,181

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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance of $473,323 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 reasonable 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 Los Angeles 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.

The District's fair value measurements are as follows at June 30, 2017:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Los Angeles County Investment Pool	$ 60,656,181	$ -	$ -	$ -	$ 60,656,181

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 663,573	$ -	$ 279,262	$ 942,835
State Government				
Lottery	252,133	-	-	252,133
Other State	486,194	-	17,511	503,705
Local Government				
Interest	111,113	160,206	10,651	281,970
Other Local Sources	142,456	-	-	142,456
Total	$ 1,655,469	$ 160,206	$ 307,424	$ 2,123,099

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,990,997	$ -	$ -	$ 1,990,997
Construction in progress	26,269,829	16,455,005	40,071,866	2,652,968
Total Capital Assets Not Being Depreciated	28,260,826	16,455,005	40,071,866	4,643,965
Capital Assets Being Depreciated				
Land Improvements	5,266,300	475,571	-	5,741,871
Buildings and improvements	54,190,469	40,573,931	-	94,764,400
Furniture and equipment	3,024,236	674,178	-	3,698,414
Total Capital Assets Being Depreciated	62,481,005	41,723,680	-	104,204,685
Total Capital Assets	90,741,831	58,178,685	40,071,866	108,848,650
Less Accumulated Depreciation				
Land Improvements	2,086,317	169,884	-	2,256,201
Buildings and improvements	24,736,200	2,802,447	-	27,538,647
Furniture and equipment	2,041,089	152,750	-	2,193,839
Total Accumulated Depreciation	28,863,606	3,125,081	-	31,988,687
Governmental Activities Capital Assets, Net	$ 61,878,225	$ 55,053,604	$ 40,071,866	$ 76,859,963

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

Governmental Activities	
Instruction	$ 1,995,656
Supervision of instruction	53,531
Instructional library, media, and technology	36,859
School site administration	191,467
Home-to-school transportation	41,170
Food services	110,731
All other pupil services	150,609
Anchillary services	2,575
Community services	57
Data processing	60,872
All other administration	163,184
Plant services	318,370
Total Depreciation Expenses Governmental Activities	$ 3,125,081

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 1,215,959	$ -	$ 278,338	$ 1,494,297
State principle apportionment	705,920	-	-	705,920
Salaries and benefits	2,162,466	-	389,593	2,552,059
Construction	-	2,561,878	-	2,561,878
Total	$ 4,084,345	$ 2,561,878	$ 667,931	$ 7,314,154

NOTE 7 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 8,910	$ -	$ 8,910
Other local	1,830	24,281	26,111
Total	$ 10,740	$ 24,281	$ 35,021

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2017, is shown below:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Governmental Activities					
General Obligation Bonds	$ 63,352,528	$ 54,320,629	$ 18,519,647	$ 99,153,510	$ 2,225,000
Premium on issuance	862,228	854,965	112,007	1,605,186	112,010
Discount on issuance	-	-	-	-	-
Capital Leases	3,871,003	-	291,402	3,579,601	219,422
Accumulated Vacation - net	624,086	249,658	-	873,744	-
Supplemental Early Retirement Program	82,991	-	82,991	-	-
Net OPEB Obligation	6,225,491	2,171,087	693,998	7,702,580	-
Total Governmental Activities	$ 75,018,327	$ 57,596,339	$ 19,700,045	$112,914,621	$ 2,556,432

- Payments on General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues.
- Payments for Capital Leases are made by the General Fund.
- The Accumulated Vacation will be paid by the fund for which the employee worked.
- Payments for the OPEB obligation will be paid by the fund for which the employee worked.

General Obligation Bonds Summary

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2017
1998	2019	3.90% - 5.25%	$ 18,593,250	$ 4,028,090	$ -	$ 161,236	$ 1,340,000	$ 2,849,326
2001	2028	2.75% - 6.00%	5,406,501	10,096,899	-	558,327	125,000	10,530,226
2005	2022	3.50% - 5.25%	12,745,000	9,040,000	-	-	150,000	8,890,000
2012	2044	4.00% - 5.37%	39,998,164	40,187,539	-	336,946	16,904,647	23,619,838
2017	2047	3.00% - 6.06%	33,457,588	-	33,457,588	61,532	-	33,519,120
2017	2043	2.00% - 5.00%	19,745,000	-	19,745,000	-	-	19,745,000
			$ 129,945,503	$ 63,352,528	$ 53,202,588	$ 1,118,041	$ 18,519,647	$ 99,153,510

1998 Election, 1998 General Obligation Bonds, Series A

In 1998, the District issued $18,593,250 of the 1998 General Obligation Bonds. The bonds mature on August 1, 2018, with interest yields ranging from 3.90 to 5.25 percent. The proceeds from the sale of the bonds will be used to renovate, construct, construct and modernize classrooms and school facilities. At June 30, 2017, the principal balance outstanding was $2,849,326 and unamortized premium was $65,655.

The bonds mature through 2019 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2018	$ 1,413,579	$ 21,421	$ 1,435,000
2019	1,435,747	99,253	1,535,000
Total	$ 2,849,326	$ 120,674	$ 2,970,000

1998 Election, 2001 General Obligation Bonds, Series B

In 2001, the District issued $5,406,501 of the 2001 General Obligation Bonds. The bonds mature on August 1, 2028, with interest yields ranging from 2.75 to 6.00 percent. The proceeds from the sale of the bonds will be used to renovate, construct and modernize classrooms and school facilities. At June 30, 2017, the principal balance outstanding was $10,530,226.

The bonds mature through 2029 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2018	$ 123,438	$ 1,562	$ 125,000
2019	116,352	8,648	125,000
2020	109,674	15,326	125,000
2021	124,054	25,946	150,000
2022	116,932	33,068	150,000
2023-2027	6,052,120	3,447,880	9,500,000
2028-2029	3,887,656	3,027,344	6,915,000
Total	$ 10,530,226	$ 6,559,774	$ 17,090,000

2005 General Obligation Refunding Bonds

In 2005, the District issued $12,745,000 of the 2006 General Obligation Bonds. The bonds mature on August 1, 2022, with interest yields ranging from 3.50 to 5.25 percent. The proceeds from the sale of the bonds will be used to refund the District's outstanding Election of 1998 General Obligation Bonds, Series A maturing in the years 2009 through 2011 and 2019 through 2023. At June 30, 2017, the principal balance outstanding was $8,890,000 and unamortized premium was $397,735.

The bonds mature through 2023 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 150,000	$ 459,663	$ 609,663
2019	160,000	453,650	613,650
2020	1,800,000	403,200	2,203,200
2021	2,000,000	303,450	2,303,450
2022	2,220,000	192,675	2,412,675
2023	2,560,000	67,200	2,627,200
Total	$ 8,890,000	$ 1,879,838	$ 10,769,838

2012 Election, 2012 General Obligation Bonds, Series A

In 2012, the District issued $39,998,164 of the 2012 General Obligation Bonds, Series A. The bonds mature on August 1, 2044, with interest yields ranging from 4.00 to 5.37 percent. The proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and to pay certain costs of issuance of the Bonds. At June 30, 2017, the principal balance outstanding was $23,619,838 and unamortized premium was $315,400.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	$ 490,000	$ -	$ 872,300	$ 1,362,300
2019	-	-	862,500	862,500
2020	-	-	862,500	862,500
2021	150,000	-	858,750	1,008,750
2022	250,000	-	848,750	1,098,750
2023-2027	5,672,807	2,172,193	5,562,688	13,407,688
2028-2032	1,007,031	942,969	6,165,983	8,115,983
2033-2037	-	-	5,579,449	5,579,449
2038-2042	11,250,000	-	2,445,000	13,695,000
2043-2044	4,800,000	-	240,000	5,040,000
Total	$ 23,619,838	$ 3,115,162	$ 24,297,920	$ 51,032,920

2012 Election, 2012 General Obligation Bonds, Series B

In 2017, the District issued $33,457,588 of the 2012 General Obligation Bonds, Series B. The bonds mature on August 1, 2047, with interest yields ranging from 3.00 to 6.06 percent. The proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and to pay certain costs of issuance of the Bonds. At June 30, 2017, the principal balance outstanding was $33,519,120 and unamortized premium was $425,878.

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	$ -	$ -	$ 1,160,860	$ 1,160,860
2019	-	-	1,204,350	1,204,350
2020	25,000	-	1,203,975	1,228,975
2021	-	-	1,203,600	1,203,600
2022	35,000	-	1,203,075	1,238,075
2023-2027	1,460,000	-	5,893,375	7,353,375
2028-2032	1,389,517	940,483	5,663,000	7,993,000
2033-2037	1,006,596	1,083,404	5,663,000	7,753,000
2038-2042	1,288,007	2,166,993	5,663,000	9,118,000
2043-2047	21,115,000	-	4,339,700	25,454,700
2048	7,200,000	-	144,000	7,344,000
Total	$ 33,519,120	$ 4,190,880	$ 33,341,935	$ 71,051,935

2017 General Obligation Refunding Bonds

In 2017, the District issued $19,745,000 of the 2017 General Obligation Refunding Bonds. The bonds mature on August 1, 2043, with interest yields ranging from 2.00 to 5.00 percent. The proceeds from the sale of the bonds will be used to refund a portion of the District's outstanding Election of 2012 General Obligation Bonds, Series A and to pay the costs of issuing the Refunding Bonds. At June 30, 2017, the principal balance outstanding was $19,745,000 and unamortized premium was $400,518.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2018	$ 25,000	$ 767,885	$ 792,885
2019	-	796,413	796,413
2020	-	796,413	796,413
2021	-	796,413	796,413
2022	-	796,413	796,413
2023-2027	270,000	3,976,663	4,246,663
2028-2032	1,945,000	3,842,688	5,787,688
2033-2037	3,365,000	2,985,775	6,350,775
2038-2042	7,650,000	2,370,113	10,020,113
2043-2044	6,490,000	265,400	6,755,400
Total	$ 19,745,000	$ 17,394,176	$ 37,139,176

Capital Leases – Governmental Activities

The District's liability on lease agreements with options to purchase is summarized below:

	Energy Management Equipment
Balance, July 1, 2016	$ 3,871,003
Payments	(291,402)
Balance, June 30, 2017	$ 3,579,601

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	$ 332,574
2019	359,262
2020	376,754
2021	394,922
2022	415,782
2023-2027	2,365,747
Total	4,245,041
Less: Amount Representing Interest	665,440
Present Value of Minimum Lease Payments	$ 3,579,601

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $873,744.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $1,890,939, and contributions made by the District during the year were $393,495. Interest on the net OPEB obligation and adjustments to the annual required contribution were $280,148 and $300,503, respectively, which resulted in an increase to the net OPEB obligation of $1,477,089. As of June 30, 2017, the net OPEB obligation was $7,702,580. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 15,000	$ -	$ -	$ -	$ 15,000
Stores inventories	4,824	-	-	28,350	33,174
Prepaid expenditures	356,760	-	-	-	356,760
Total Nonspendable	376,584	-	-	28,350	404,934
Restricted					
Legally restricted programs	3,391,755	-	-	931,799	4,323,554
Capital projects	-	31,489,603	-	1,131,144	32,620,747
Debt services	-	-	4,044,909	-	4,044,909
Total Restricted	3,391,755	31,489,603	4,044,909	2,062,943	40,989,210
Committed					
Deferred maintenance program	-	-	-	283,498	283,498
Total Committed	-	-	-	283,498	283,498
Assigned					
Unfunded Pension Liability	714,000	-	-	-	714,000
LCFF - Targeted	1,285,000	-	-	-	1,285,000
One-time Mandated	884,000	-	-	-	884,000
OPEB Liability	250,000	-	-	-	250,000
Career Technical Program	586,000	-	-	-	586,000
Other	635,245	-	-	466	635,711
Total Assigned	4,354,245	-	-	466	4,354,711
Unassigned					
Economic uncertainties	2,855,000	-	-	-	2,855,000
Remaining unassigned	8,012,905	-	-	-	8,012,905
Total Unassigned	10,867,905	-	-	-	10,867,905
Total	$ 18,990,489	$ 31,489,603	$ 4,044,909	$ 2,375,257	$ 56,900,258

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Temple City Unified School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 102 retirees and beneficiaries currently receiving benefits and 492 active Plan members.

	Certificated*	Classified*
Benefit types provided	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	5 years, but not beyond age 65 for benefits in excess of CalPERS statutory	Lifetime
Required Service	10 years	15 years
Minimum Age	55	55***
Dependent Coverage	Yes	Yes
District Contribution	100% to cap	100% to cap for 5 years but not beyond age 65*** 25% of $625 plus 5% per year in subsequent years for coverage beyond 5 years (or age 65)
District Cap	Active cap*	$8,250 per year**

* Non-represented employees receive benefits basedon the appropriate bargaining unit.

** Those not qualifying for the above benefits, or exhausting the above benefits, receive statutory minimum CalPERS contributions.

*** Certain grandfathered employees may receive benefits as early as age 50 and receive 5 years of benefits even if benefits extend beyond age 65.

Contribution Information

The contribution requirements of Plan members and the District are established under a funding policy approved by the District's Board, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and Plan expenses. For fiscal year 2016-2017, the District contributed $393,495 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 1,890,939
Interest on net OPEB obligation	280,148
Adjustment to annual required contribution	(300,503)
Annual OPEB cost (expense)	1,870,584
Contributions made	(393,495)
Increase in net OPEB obligation	1,477,089
Net OPEB obligation, beginning of year	6,225,491
Net OPEB obligation, end of year	$ 7,702,580

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 1,870,386	$ 221,253	11.83%	$ 4,653,866
2016	$ 1,875,722	$ 304,097	16.21%	$ 6,225,491
2017	$ 1,870,584	$ 393,495	21.04%	$ 7,702,580

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2015	$ -	$ 17,566,461	$ 17,566,461	0%	$ 26,620,928	66%

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

Actuarial Methods and Assumptions

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

In the December 8, 2015, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on assumed long-term return on plan assets or employer assets, as appropriate. Healthcare cost trend rates were assumed at four and a half percent for the plan year beginning October 1, 2015.

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. Employee life, health, vision, dental, disability, and workers' compensation programs are administered by the District. The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases insurance through West San Gabriel Property and Liability Joint Powers Authority for first party damage with coverage up to a maximum of $50 million, subject to Self-Insured Retention of $10,000 per occurrence. The District also purchases insurance for general liability claims with coverage up to $5 million per occurrence with excess liability coverage up to $50 million per occurrence with no aggregate, all subject to a $10,000 Member Retained Limit per occurrence. The District purchases workers' compensation coverage from the West San Gabriel Workers' Compensation Joint Powers Authority with Statutory per occurrence limits with no deductibles.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2016. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 41,748,055	$ 8,323,991	$ 3,411,080	$ 4,005,836
CalPERS	13,376,637	4,000,879	946,689	1,622,350
Total	$ 55,124,692	$ 12,324,870	$ 4,357,769	$ 5,628,186

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.250%	9.205%
Required employer contribution rate	12.580%	12.580%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $3,240,491.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
District's proportionate share of net pension liability	$ 41,748,055
State's proportionate share of the net pension liability associated with the District	23,766,423
Total	$ 65,514,478

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0516 percent and 0.0554 percent, resulting in a net decrease in the proportionate share of 0.0038 percent.

For the year ended June 30, 2017, the District recognized pension expense of $4,005,836. In addition, the District recognized pension expense and revenue of $2,297,275 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,240,491	$ -
Net change in proportionate share of net pension liability	1,764,548	2,392,684
Differences between projected and actual earnings on pension plan investments	3,318,951	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,018,396
Total	$ 8,323,990	$ 3,411,080

The deferred outflow 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 inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 72,408
2019	72,409
2020	1,929,318
2021	1,244,816
Total	$ 3,318,951

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (231,734)
2019	(231,734)
2020	(231,734)
2021	(231,734)
2022	(231,737)
Thereafter	(487,859)
Total	$ (1,646,532)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60 percent
Investment rate of return	7.60 percent
Consumer price inflation	3.00 percent
Wage growth	3.75 percent

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 60,084,866
Current discount rate (7.60%)	41,748,055
1% increase (8.60%)	26,518,565

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, 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	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $1,177,850.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $13,376,637. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0677 percent and 0.0725 percent, resulting in a net decrease in the proportionate share of 0.0048 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,622,350. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,177,850	$ -
Net change in proportionate share of net pension liability	172,082	544,801
Difference between projected and actual earnings on pension plan investments	2,075,624	-
Differences between expected and actual experience in the measurement of the total pension liability	575,323	-
Changes of assumptions	-	401,888
Total	$ 4,000,879	$ 946,689

The deferred outflow 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 inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 291,134
2019	291,134
2020	951,638
2021	541,718
Total	$ 2,075,624

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (42,581)
2019	(50,162)
2020	(106,541)
Total	$ (199,284)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65 percent
Investment rate of return	7.65 percent
Consumer price inflation	2.75 percent
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global fixed income	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Inflation sensitive	6%	3.36%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 19,958,017
Current discount rate (7.65%)	13,376,637
1% increase (8.65%)	7,896,343

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District had an obligation to CalSTRS totaling $82,991 for early retirement incentives granted to terminated employees. The District made the final payment to CalSTRS and has closed the Supplemental Early Retirement Program.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,229,660 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

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

NOTE 14 - PARTICIPATION JOINT POWERS AUTHORITY

The District is a member of the West San Gabriel Joint Powers Authority (WSG JPA) participating in the West San Gabriel Fringe Benefits Self-Insurance Authority, West San Gabriel Workers' Compensation Joint Powers Authority, and the West San Gabriel Liability and Property Self-Insurance Authority liability protection public entity risk pools. The District pays an annual premium for its property liability coverage. The relationship between the District and the JPA is such that it is not a component unit 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 JPA and the District are included in these statements. Audited financial statements are available from the respective entities.

Employee Benefits Insurance

West San Gabriel Fringe Benefits Self-Insurance Authority arranges for an provides employee benefits insurance for member districts.

Workers' Compensation Insurance

West San Gabriel Workers' Compensation Joint Powers Authority arranges or provides workers' compensation for member districts.

Property and Liability Insurance

West San Gabriel Liability and Property Self-Insurance Authority arranges for and provides property and liability insurance for member districts.

During the year ended June 30, 2017, the District made payments of $1,354,997 to WSG JPA for services received.

REQUIRED SUPPLEMENTARY INFORMATION

TEMPLE CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 47,255,028	$ 47,036,825	$ 48,938,692	$ 1,901,867
Federal sources	2,178,306	2,534,631	2,240,274	(294,357)
Other State sources	3,368,838	4,509,991	6,153,721	1,643,730
Other local sources	3,543,298	4,046,727	4,282,390	235,663
Total Revenues [1]	56,345,470	58,128,174	61,615,077	3,486,903
EXPENDITURES				
Current				
Certificated salaries	27,351,755	28,689,450	27,342,311	1,347,139
Classified salaries	8,209,766	8,917,900	9,236,386	(318,486)
Employee benefits	10,935,320	10,926,961	12,518,186	(1,591,225)
Books and supplies	2,734,516	4,031,843	3,125,170	906,673
Services and operating expenditures	5,093,393	7,482,060	6,266,838	1,215,222
Capital outlay	7,300	289,751	281,116	8,635
Other outgo	310,400	310,400	(88,672)	399,072
Debt service				
Principal	-	-	291,402	(291,402)
Interest	-	-	121,263	(121,263)
Total Expenditures [1]	54,642,450	60,648,365	59,094,000	1,554,365
Excess (Deficiency) of Revenues Over Expenditures	1,703,020	(2,520,191)	2,521,077	5,041,268
Other Financing Sources (Uses)				
Transfers out	(250,000)	(250,000)	(1,300,000)	(1,050,000)
Net Financing Sources (Uses)	(250,000)	(250,000)	(1,300,000)	(1,050,000)
NET CHANGE IN FUND BALANCES	1,453,020	(2,770,191)	1,221,077	3,991,268
Fund Balance - Beginning	17,769,412	17,769,412	17,769,412	-
Fund Balance - Ending	$ 19,222,432	$ 14,999,221	$ 18,990,489	$ 3,991,268

[1] On behalf payments of $2,229,660 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2011	$ -	$ 7,605,894	$ 7,605,894	0%	$ 12,260,013	62%
October 1, 2013	-	12,370,112	12,370,112	0%	18,402,054	67%
October 1, 2015	-	17,566,461	17,566,461	0%	26,620,928	66%

See accompanying note to required supplementary information

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

	2017
CalSTRS	
District's proportion of the net pension liability	0.0516%
District's proportionate share of the net pension liability	$ 41,748,055
State's proportionate share of the net pension liability associated with the District	23,766,423
Total	$ 65,514,478
District's covered - employee payroll	$ 25,796,850
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	161.83%
Plan fiduciary net position as a percentage of the total pension liability	70%
CalPERS	
District's proportion of the net pension liability (asset)	0.0677%
District's proportionate share of the net pension liability (asset)	$ 13,376,637
District's covered - employee payroll	$ 8,104,617
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	165.05%
Plan fiduciary net position as a percentage of the total pension liability	74%

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

See accompanying note to required supplementary information

2016	2015
0.0550%	0.0520%
$ 37,292,180	$ 30,387,240
19,723,452	18,325,054
$ 57,015,632	$ 48,712,294
$ 25,094,730	$ 23,762,558
148.61%	127.88%
74%	77%
0.0725%	0.0702%
$ 10,688,887	$ 7,969,409
$ 8,021,026	$ 7,382,337
133.26%	107.95%
79%	83%

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

	2017
CalSTRS	
Contractually required contribution	$ 3,240,491
Contributions in relation to the contractually required contribution	3,240,491
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 25,759,070
Contributions as a percentage of covered - employee payroll	12.58%
CalPERS	
Contractually required contribution	$ 1,177,850
Contributions in relation to the contractually required contribution	1,177,850
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 8,481,063
Contributions as a percentage of covered - employee payroll	13.89%

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

See accompanying note to required supplementary information

2016	2015
$ 2,768,002	$ 2,228,412
2,768,002	2,228,412
$ -	$ -
$ 25,796,850	$ 25,094,730
10.73%	8.88%
$ 960,154	$ 944,155
960,154	944,155
$ -	$ -
$ 8,104,617	$ 8,021,026
11.85%	11.77%

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Individuals With Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 960,576
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	17,650
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	63,184
IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	73,002
Total Special Education (IDEA) Cluster			1,114,412
Every Student Succeeds Act (ESSA):			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	803,726
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	97,090
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	154,141
Title III, Immigrant Education Program	84.365	15146	21,210
Total U.S. Department of Education			2,190,579
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13523	1,031,857
Food Distribution	10.555	13523	19,761
Total Child Nutrition Cluster			1,051,618
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medical Assistance Program:			
Medi-Cal Billing Option	93.778	10013	36,790
Medical Administrative Activities Program	93.778	10060	37,202
Total Medical Assistance Program			73,992
Total Expenditures of Federal Awards			$ 3,316,189

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Temple City Unified School District was established on July 1, 1954, and consists of an area comprising approximately 3.986 square miles in the West San Gabriel Valley, approximately five miles southeast of Pasadena and 13 miles northeast of downtown Los Angeles. The District maintains one comprehensive high school (9-12), one alternative high school (10-12), one alternative junior academy (7-9), one intermediate school, four elementary schools, and an adult education school. The population of the District's service area is approximately 35,000. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Larry Marston	President	2020
John Pomeroy	Vice President	2018
Vinson Bell	Clerk	2018
George Goold	Member	2018
Kenneth Knollenberg	Member	2018

ADMINISTRATION

Kathy Perini	Superintendent
Melissa Kistler	Assistant Superintendent, Educational Services
Art Cunha	Assistant Superintendent, Personnel Services
Marianne Sarrail	Chief Business Official

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,467.17	1,467.75
Fourth through sixth	1,287.82	1,289.33
Seventh and eighth	902.37	902.69
Ninth through twelfth	2,069.13	2,065.49
Total Regular ADA	5,726.49	5,725.26
Extended Year Special Education		
Transitional kindergarten through third	4.01	4.01
Fourth through sixth	2.75	2.75
Seventh and eighth	1.29	1.29
Ninth through twelfth	4.10	4.10
Total Extended Year Special Education	12.15	12.15
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.14	1.09
Fourth through sixth	0.86	0.84
Seventh and eighth	1.86	1.87
Ninth through twelfth	7.56	7.65
Total Special Education, Nonpublic, Nonsectarian Schools	11.42	11.45
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.13	0.13
Fourth through sixth	0.07	0.07
Seventh and eighth	0.06	0.06
Ninth through twelfth	0.61	0.61
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.87	0.87
Total ADA	5,750.93	5,749.73

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,650	180	N/A	Complied
Grade 2		52,650	180	N/A	Complied
Grade 3		52,650	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,700	180	N/A	Complied
Grade 5		56,700	180	N/A	Complied
Grade 6		56,700	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,710	180	N/A	Complied
Grade 8		56,710	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,607	180	N/A	Complied
Grade 10		66,607	180	N/A	Complied
Grade 11		66,607	180	N/A	Complied
Grade 12		66,607	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Cafeteria Fund
FUND BALANCE		
Balance, June 30, 2017, Unaudited Actuals	$ 19,067,584	$ 467,880
Increase (decrease) in:		
Cash in bank	-	310,596
Accounts receivable	642,165	(13,823)
Accounts payable	(719,260)	-
Balance, June 30, 2017, Audited Financial Statement	$ 18,990,489	$ 764,653

See accompanying note to supplementary information.

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

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND [4]				
Revenues	$ 56,342,007	$ 61,603,982	$ 58,779,135	$ 53,329,286
Expenditures	57,360,740	59,094,000	54,100,746	50,754,956
Other uses and transfers out	250,000	1,550,000	250,000	950,033
Total Expenditures and Other Uses	57,610,740	60,644,000	54,350,746	51,704,989
INCREASE (DECREASE) IN FUND BALANCE	$ (1,268,733)	$ 959,982	$ 4,428,389	$ 1,624,297
ENDING FUND BALANCE	$ 17,204,723	$ 18,473,456	$ 17,513,474	$ 13,085,085
AVAILABLE RESERVES [2]	$ 6,283,000	$ 10,867,905	$ 9,371,076	$ 9,308,123
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	10.91%	18.60%	17.24%	18.00%
LONG-TERM OBLIGATIONS	N/A	$112,914,621	$ 75,018,327	$ 74,660,643
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	5,751	5,751	5,772	5,819

The General Fund balance has increase by $5,388,371 over the past two years. The fiscal year 2017-2017 budget projects a decrease of $1,268,733 (6.87 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in three of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $38,253,978 over the past two years.

Average daily attendance has decreased by 68 over the past two years. No changes in ADA are anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances contained within the General Fund.

[3] On behalf payments of $2,229,660 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2017.

[4] General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 172,657	$ 219,976	$ 673,973
Receivables	880	682	299,079
Stores inventories	-	-	28,351
Total Assets	$ 173,537	$ 220,658	$ 1,001,403
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 174,418	$ 236,750
Unearned revenue	-	24,281	-
Total Liabilities	-	198,699	236,750
Fund Balances:			
Nonspendable	-	-	28,350
Restricted	173,537	21,959	736,303
Committed	-	-	-
Assigned	-	-	-
Total Fund Balances	173,537	21,959	764,653
Total Liabilities and Fund Balances	$ 173,537	$ 220,658	$ 1,001,403

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
$ 337,882	$ 1,326,741	$ 465	$ 2,731,694
-	6,782	1	307,424
-	-	-	28,351
$ 337,882	$ 1,333,523	$ 466	$ 3,067,469
$ 54,384	$ 202,379	$ -	$ 667,931
-	-	-	24,281
54,384	202,379	-	692,212
-	-	-	28,350
-	1,131,144	-	2,062,943
283,498	-	-	283,498
-	-	466	466
283,498	1,131,144	466	2,375,257
$ 337,882	$ 1,333,523	$ 466	$ 3,067,469

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Local Control Funding Formula	$ -	$ -	$ -	$ -
Federal sources	-	-	1,051,618	-
Other State sources	-	-	67,294	-
Other local sources	1,888	741,793	994,363	3,583
Total Revenues	1,888	741,793	2,113,275	3,583
EXPENDITURES				
Current				
Instruction	-	606,156	-	-
Instruction-related activities:				
School site administration	-	132,337	-	-
Pupil services:				
Food services	-	-	2,228,829	-
Administration:				
All other administration	-	-	101,137	-
Plant services	-	-	-	1,390,430
Facility acquisition and construction	-	-	-	1,035,729
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	-	738,493	2,329,966	2,426,159
Excess (Deficiency) of Revenues Over Expenditures	1,888	3,300	(216,691)	(2,422,576)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,300,000
Other sources	-	-	-	-
Transfers out	-	-	-	-
Other uses	-	-	-	-
Net Financing Sources (Uses)	-	-	-	1,300,000
NET CHANGE IN FUND BALANCES	1,888	3,300	(216,691)	(1,122,576)
Fund Balances - Beginning	171,649	18,659	981,344	1,406,074
Fund Balances - Ending	$ 173,537	$ 21,959	$ 764,653	$ 283,498

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
$ -	$ -	$ -
-	-	1,051,618
-	-	67,294
611,725	466	2,353,818
611,725	466	3,472,730
-	-	606,156
-	-	132,337
-	-	2,228,829
17,929	-	119,066
-	-	1,390,430
784,975	-	1,820,704
-	-	-
-	-	-
802,904	-	6,297,522
(191,179)	466	(2,824,792)
-	-	1,300,000
-	-	-
-	-	-
-	-	-
-	-	1,300,000
(191,179)	466	(1,524,792)
1,322,323	-	3,900,049
$ 1,131,144	$ 466	$ 2,375,257

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option Program funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 3,291,892
Medi-Cal Billing Option	93.778	24,297
Total Schedule of Expenditures of Federal Awards		$ 3,316,189

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-87 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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

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
Temple City Unified School District
Temple City, 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 Temple City Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Temple City Unified School District's basic financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Temple City Unified 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 Temple City Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Temple City Unified School District's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Temple City Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Temple City Unified School District in a separate letter dated October 11, 2017.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 11, 2017

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

Governing Board
Temple City Unified School District
Temple City, California

Report on Compliance for Each Major Federal Program

We have audited Temple City Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Temple City Unified School District's (the District) major Federal programs for the year ended June 30, 2017. Temple City Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Temple City Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 11, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Temple City Unified School District
Temple City, California

Report on State Compliance

We have audited Temple City Unified School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Temple City Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Temple City Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Temple City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Temple City Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Temple City Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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Other Matters

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	No, See Below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, See Below
After School Education and Safety Program:	
General Requirements	No, See Below
After School	No, See Below
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, See Below
Immunizations	Yes
CHARTER SCHOOLS	
Contemporaneous Records of 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 an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

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 any procedures related to Juvenile Court Schools.

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

The District did not have expenditures related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The District does not operate a before or after school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

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

The District does not have any Charter Schools; therefore, we did not perform any procedures.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 11, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

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

None reported.

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

None reported.

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

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

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

Governing Board
Temple City Unified School District
Temple City, California

In planning and performing our audit of the financial statements of Temple City Unified School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 11, 2017 on the government-wide financial statements of the District.

District Office – Bank Reconciliations

Observation

The District currently does not have formal procedures in place to review the monthly bank reconciliations.

Recommendation

The District should implement procedures to ensure that the bank reconciliations are reviewed on a regular basis by an individual independent of the disbursement, receiving, and reconciliation process.

Oak Avenue Middle School Associated Student Body – Financial Statements / Bank Reconciliations

Observation

Auditor noted that bank reconciliations and financial statements for October 2016 were not prepared timely. Lack of priority placed on completion and review of bank reconciliations and financial statements have led to three separate issues arising within the financial statements. Stale dated checks have not been written off. Two club account balances as of October 2016 have significant deficit balances. Finally through conversation it was determined that a manual error in the check disbursement process led to a mismatching of check numbers in ASB Works to check numbers on the physical check stock. It is noted that upon further discussion, the check number issue was corrected before audit date.

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Recommendation

Monthly bank reconciliations and financial statements must be prepared in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by posting errors to the student body accounts. In regards to stale dated checks, a policy must be implemented to determine the appropriate length allowed before writing off of stale dated checks appears to be appropriate. When dealing with deficit account balances, the site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups account. Finally in relation to lack of consistency with check numbers, the preparer and reviewer of the financial statements must ensure that errors such as this do not occur. In the event that they do occur during the course of the month, the month end review procedures should ensure that the mistakes are corrected before the next month begins.

Oak Avenue Middle School Associated Student Body – Disbursements

Observation

In reviewing the cash disbursement procedures at the site, we noted one instance of lack of approval from the activities director on a disbursement. Additional reimbursements noted with reimbursed individuals being one of the three approvals on the disbursement request form. Auditor also noted when collecting audit samples that one Disbursement Request form not retained on site for review. Additionally auditor noted golf cart maintenance expenses and library book and software expenses that should not be purchased using student money, as it is a function of the District. Upon review of the bank statements auditor noted one instance of a payment check not containing both signatures on the check.

Recommendation

Education Code Section 48933 requires that ASB funds be spent with preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization. If the ASB advisor is receiving a reimbursement check, the vice principal, or another administrator, should additionally give authorization. These Disbursement Request forms must be kept on hand at the site for annual audit. Additionally if expenditures for golf cart maintenance and library expenses are indeed functions of the District, the District should reimburse the students for the amounts in question. Before dispersing the physical checks to the payees the site should do an additional review to ensure that the check has obtained all the necessary signatures.

Oak Avenue Middle School Associated Student Body – Revenue Potentials

Observation

Auditor noted ASB is not utilizing revenue potentials for fundraisers.

Recommendation

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. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow 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 site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Oak Avenue Middle School Associated Student Body – Cash Receipting

Observation

Auditor noted untimely deposits of cash collected. Deposits routinely held on hand for more than 20 days locked in a cabinet. One instance of a deposit being partially deposited due to forgetting the box of change that went with the deposit. The change box of nearly $200 remained on hand at the site as of the day of the audit nearly 5 months after the event originally took place. Of the three fundraising events tested on day of the audit, none of the proceeds have been deposited or applied to the General Ledger.

Recommendation

The school site should implement procedures requiring deposits no less than every ten days, and when large deposits are collected even sooner. Begin logging deposits in and out of the cabinet to keep track of all amounts inside the cabinet to ensure that partial deposits will not occur in the future. Additionally the log can be routinely reviewed by the Activities Director and the Principal to ensure that timeliness of deposits is addressed.

Temple City High School Associated Student Body – Revenue Potential

Observation

Auditor noted ASB is not correctly utilizing revenue potentials for fundraisers leading to improper estimated profits and losses.

Recommendation

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. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow 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 site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Temple City High School Associated Student Body – Disbursements

Observation

In reviewing the cash disbursement procedures at the site, we noted that disbursements tested were missing preapproval. Expenditures are being performed before approved by the student council. Also instances observed of reimbursed individuals taking place in the approval of reimbursements to themselves. Additionally, multiple instances noted of authorized personnel signing reimbursement checks for various family members.

Recommendation

Education Code Section 48933 requires that ASB funds be spent with preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization. As part of the approval process, when requesting a reimbursement, the individual being reimbursed should not partake in the approval process of their reimbursement. Additionally, it is essential that reimbursed checks are not signed by any family members who may be associated with the reimbursed individual.

Temple City High School Associated Student Body – Bank Reconciliations

Observation

Lack of effective review of the bank reconciliation has led to improper posting to the petty cash account creating a negative balance going unnoticed before the site visit.

Recommendation

Every month necessitates a complete, effective, and timely preparation and review of the financial statements and bank reconciliation to ensure appropriate posting of monthly activity.

Governing Board
Temple City Unified School District

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 11, 2017