TEMPLE CITY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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, 2018, 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 opinion 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Temple City Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, 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 15, 2018

This section of Temple City School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the 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 and business-type activities separately. 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 the two categories of activities: governmental and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are 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 general obligations bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds **-** 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 2017-2018. 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 four 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, 2018, the District employed about 279 certificated professionals, 266 classified employees, and about 37 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 582 total full and 356 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, 2018 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, 2018 and also includes annual re-openers for salary and benefit negotiations. All contracts are settled for total compensation in the 2017-2018.

RETIREMENT PROGRAMS

The District participates in the State of California Teachers Retirement System (STRS), which provides benefits to most certificated employees. The District contributes 14.43 percent of STRS member's salaries, or $3,920,715 for 2017-2018. 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 15.53 percent of salaries for those employees covered by PERS and this contribution totaled $1,446,986 for 2017-2018.

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, 2018 for 1998 and 2005 series G.O. Bonds was $21,240,149.

During the 2013-2014 fiscal year, the District issued 2012 G.O. 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. At June 30, 2018, the principal outstanding balance was $23,487,274.

During the 2016-2017 fiscal year, the District issued 2012 G.O. bonds, Series B, in the amount of $33,457,588. The proceeds will be used to improve school facilities, technologies, and to maintain high quality education. At June 30, 2018, the principal outstanding balance was $33,680,350.

During 2016-2017 the District issued $19,745,000 of 2017 Refunding G.O. bonds to refund a portion of the 2012 G.O. bonds, Series A. At June 30, 2018, the principal outstanding balance was $19,720,000.

Additional debt outstanding includes capital lease payables, other post-employment benefits, and compensated absences (see Note 9 for more details).

Net Pension Liability (NPL)

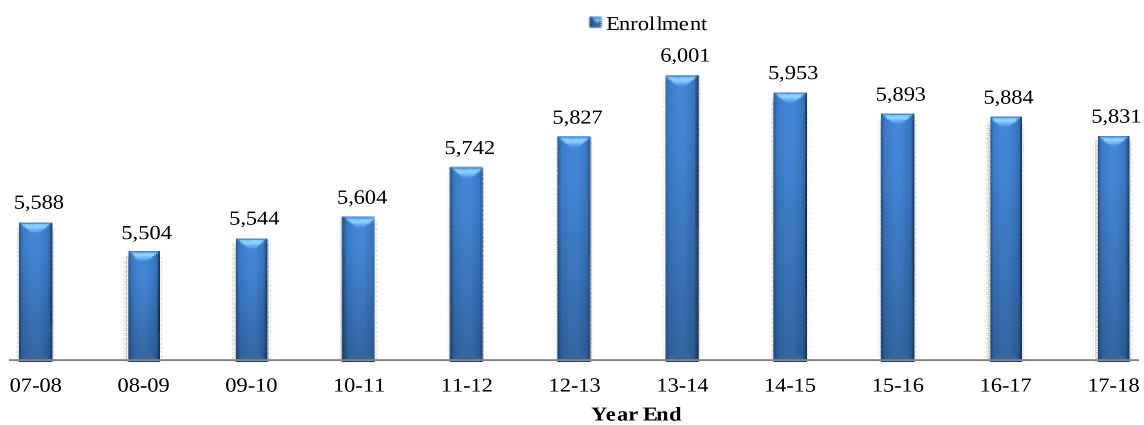
At year-end, the District had a pension liability of $63,287,556, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ENROLLMENT TREND

The District decreased enrollment in 2017-2018. Enrollment in 2017-2018 was 5,831 students, a decrease of 53 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 2017-2018

Beginning and Ending Balances

The District's beginning General Fund Balance as of July 1, 2017, was $18,990,489 of which $3,768,339 was either restricted (categorical) or nonspendable. The ending General Fund Balance as of June 30, 2018, was $19,524,021 with $2,448,075 of this total being either restricted or nonspendable. The increase in unrestricted General Fund unassigned reserves from 2016-2017 to 2017-2018 was $1,749,687 or 16.1 percent of General Fund expenditures.

Local Control Funding Formula

The District received $50,042,251 or an increase of $1,103,559 more in Local Control Funding Formula (LCFF) in 2017-2018. 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 88 percent of our unrestricted General Fund income.

Grade Span	2017-2018 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 2017-2018 over 2015-2016. The District had experienced the past two years of declining enrollment totaling 62 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 2017-2018 provided $2,248,807 or about 3.51 percent of total General Fund revenues. This represents an $8,533 increase from 2017-2018. Federal funding for special education falls well below costs of mandated services. This program alone encroached approximately $5.3 million on the General Fund in 2017-2018. 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 20 programs. State revenues in 2017-2018 provided $5,122,079 or about 8.00 percent of total governmental fund revenues.

Local revenues, such as rental income, interest income, donations, and redevelopment agency proceeds totaled $6,618,918 about 10.34 percent of total General Fund revenue for 2017-2018. Interest rate increases over the past year have continued to increase interest income on District funds that are kept in the Los Angeles County Treasury Investment Pool. Interest rate for the District averaged 1.83 percent for 2017-2018.

Expenditures

Total general fund expenditures for 2017-2018 were $60,586,704 up from $59,094,000 in 2016-2017, an increase of $1,492,704.

Net expenditure levels for Certificated Salaries increased by $296,964 in 2017-2018. Classified Salaries decreased by $42,586 in 2017-2018. Employee Benefits increase by $1,070,764 in 2017-2018. Employee Salary and Benefits totaled $50,422,025, which represents 83.05 percent of 2017-2018 expenditures.

Expenditures for Books, Supplies and Non-Capitalized Equipment decreased by $1,378,339 in 2017-2018.

Totals for Services and Other Operating Expenses increased by $541,482 in 2017-2018. Expenditures totaled $6,808,320 in this category, which represents 11.24 percent of 2017-2018 expenditures.

Capital outlay expenditures decreased by $195,432 in 2017-2018. Expenses totaled $85,684 in this category, which represents 0.14 percent of 2017-2018 expenditures.

Transfers Out

The General Fund transferred $1,741,758 to the Deferred Maintenance Fund for future deferred maintenance projects.

The General Fund transferred $1,170,061 to Building Fund for reimbursement of HVAC costs.

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 ($36,613,922) for the fiscal year ended June 30, 2018. Of this amount, ($62,322,041) 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	
	2018	(As Restated) 2017
Assets		
Current and other assets	$ 51,269,322	$ 64,249,433
Capital assets	89,714,983	76,859,963
Total Assets	140,984,305	141,109,396
Deferred Outflows of Resources	23,677,474	16,107,147
Liabilities		
Current liabilities	7,214,122	8,683,051
Long-term obligations	125,427,811	125,127,972
Aggregate net pension liability	63,287,556	55,124,692
Total Liabilities	195,929,489	188,935,715
Deferred Inflows of Resources	5,346,212	4,357,769
Net Position		
Net investment in capital assets	18,742,072	16,939,845
Restricted	6,966,047	8,165,731
Unrestricted	(62,322,041)	(61,182,517)
Total Net Position (deficit)	$ (36,613,922)	$ (36,076,941)

Government-wide Statement of Activities

Government-wide Statement of Net Position, the District's net position was ($36,613,922) for the fiscal year ended June 30, 2018. Of this amount, ($43,323,290) was net investment in capital assets and unrestricted. The $6,709,368 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 $141.0 million as of June 30, 2018, and of this total $51.3 million represents non-capital current assets such as cash and accounts receivable. Net capital assets totaled $89.7 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 at the end of 2017-2018.

Total liabilities were $196.0 million as of June 30, 2018, and of this total, $7.2 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 $125.4 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 $98.1 million in G.O. bonds, which were sold in six issues between 1998 and 2017, are being retired over a thirty - year time-span. The remaining debt is the aggregated net pension liability of $63.3 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	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,808,991	$ 1,686,287
Operating grants and contributions	7,689,080	7,391,047
General revenues:		
Federal and state aid not restricted	39,220,102	39,220,102
Property taxes	17,243,401	16,052,602
Other general revenues	7,185,924	5,377,252
Total Revenues	74,147,498	69,727,290
Expenses		
Instruction	43,010,505	43,188,976
Instruction-related activities	6,253,812	6,083,067
Student support services	6,505,117	6,232,600
Administration	5,215,313	6,004,523
Plant services	7,225,759	7,318,731
Other	6,473,973	4,694,868
Total Expenses	74,684,479	73,522,765
Change in Net Position	$ (536,981)	$ (3,795,475)

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 2017-2018. Total program revenues by major sources of $10,498,071 include $2,808,991 from charges for services such as food services sales, and $7,689,080 of operating grants and contributions. The operating grants include $4,861,550 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 $1,864,146 were received for special education, student transportation, and food services' free and reduced meal program. Other general administration grants of $963,384 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 $63,649,427 in 2017-2018. Property taxes levied for general purposes totaled $12,579,504. Taxes levied for debt service of the G.O. bonds totaled $5,069,888. Unrestricted federal and state grants of $38,619,789 are funded for apportionment and programs such as the K - 3rd Grade Span Adjustment, and the Lottery. Interest earnings on cash balances were $733,731 and miscellaneous revenues, primarily from rental income, donations, and redevelopment proceeds, were $6,604,018 for 2017-2018.

Total 2017-2018 District revenues were $74,147,498 and total expenses were $74,684,479. Program expenses totaled $49,264,317 for instruction and instruction related services. Pupil service expenses for food service and other pupil services totaled $6,505,117 in 2017-2018. General administration costs were $5,215,313, and plant services were $7,225,759. Ancillary and community service costs totaled $113,831. The interest payments on long-term debt were $4,800,066. All other miscellaneous costs totaled $1,560,076. Beginning restated net position at July 1, 2017, was a negative $36,076,941 and the ending net position at June 30, 2018 is a negative $36,613,922.

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 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 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 are at least five percent of the total for all governmental funds combined.

The District General Fund and Building 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 $45,438,581 which is a decrease of $11,461,677 from last year (Table 3).

Table 3

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 18,990,489	$ 64,032,055	$ 63,498,523	$ 19,524,021
Cafeteria Fund	764,653	1,994,705	2,254,967	504,391
Child Development Fund	21,959	993,186	765,003	250,142
Adult Education Fund	173,537	344,796	17,454	500,879
Deferred Maintenance Fund	283,498	1,742,129	1,120,490	905,137
Special Reserve Fund for Capital Outlay Projects	466	8	-	474
Bond Interest and Redemption Fund	4,044,909	5,111,332	5,485,708	3,670,533
Building Fund	31,489,603	1,567,415	14,024,942	19,032,076
Capital Facilities Fund	1,131,144	484,736	564,952	1,050,928
Total	**$ 56,900,258**	**$ 76,270,362**	**$ 87,732,039**	**$ 45,438,581**

The primary reason for this decrease is due to on-going construction projects that is paid through the Building Fund.

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 27, 2018. (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 75).

The primary factors are as follows:

Revenues

- LCFF - Lower by ($642,000):
    - Prior year adjustment lower by ($700,000) for FY 2016-2017 adjustment for state aid due to decrease in the Funded ADA.
    - Local taxes increased, EPA funds increased; thus, the Principal Apportionment amount decreased.
- Federal Revenue - Lower by ($367,000):
    - Federal funds are handled difference than state funds. If the District does not use the funds, revenues are not recognized for the year end. This year the District did not spend as much as what had been budgeted for federal funds. As a result, federal revenues decreased.

- Title I, Part A lower by ($172,000) - $112,000 not received and deferred revenue
- Title II, Part A lower by ($60,000) - $84,299 not received and accounts receivable accrued
- Title III, Immigrant Program lower by ($1,000) - no funds received and deferred revenue
- Title III LEP lower by ($60,000) - $125,209 and accounts receivable accrued
- IDEA (Local Assistance) lower by ($48,000) - SELPA revised ADA calculation
- IDEA Preschool lower by ($4,000) - SELPA revised ADA calculation
- IDEA 33200 lower by ($16,000) SELPA revised ADA calculation

- Other State Revenue - Higher by $40,000:
  - Mandated Costs - higher by $24,000
  - Lottery - lower by ($52,000) - carry over
  - Miscellaneous state revenues - lower by ($11,000) - 2015-2016 adjustment
  - Restricted - higher by $79,000
  - Restricted Lottery lower by ($25,000)
  - Clean Energy Prop 39 higher by $315,000 - additional funding in 2017-2018 not budgeted
  - CTEIG lower by ($203,000) - state funds not recognized since they were not spent in 2017-2018
  - AMETLL higher by $71,000 - budgeted in other local revenues
  - Mental Health Lower by ($79,000) - can only recognize income when funds are spent

- Other Local Revenue:
  - Special Education is higher by $1,262 due to regional tuition from other districts for their students in the District and some additional SELPA allocations
  - Community Redevelopment higher by $35,000
  - Interest $207,000 higher (budget conservatively)
  - Leases and rentals - $105,000 - higher rental of school sites
  - California Summer grant - $25,000
  - Miscellaneous Revenue - higher by $1,065,000
  - E-rate refunds - higher by $644,000
  - AEGM - higher by $341,000
  - Donations - higher by $56,000
  - Miscellaneous - higher by $24,000 - flyer fee, refunds other miscellaneous credits from LACOE

Expenses

- Salaries and benefits incurred less than projected costs by $1,088,000.
  - Majority of difference are sub/extra hours for teacher training. Training decreased in 2nd half of the year - lower by ($477,000) salaries
  - Classified extra hours higher by $44,000 salaries
  - Summer school decrease - by ($44,000) salary - no elementary classes this year
  - Vacation Accrual lower this year by ($137,000) for classified employees
  - Benefits for the above hours ($474,000)

- Prop 39 - lower by ($651,084) - transferred from General Fund to the Building Fund

- Unrestricted/Targeted - lower by ($328,445)
  - Utilities - mainly Telephone and internet lower due to e-rate refunds - ($111K)
  - STEM/STEAM - lower by ($106k)
  - Legal, election - lower by ($82k)
  - Postage - lower by ($17k)
  - Donation - lower by ($10)
- Special Education/IDEA, Mental Health - lower by ($271,224)
  - Nonpublic schools came in lower than budgeted
- Donations/Facilities Use - lower by ($249,806) - carryover funding from 2016-2017 not spent
- Lottery Unrestricted - lower by ($106,306)
  - Emperor - ($6), La Rosa - ($36k), Longden - ($10), Oak - ($9), TCHS - ($13k), DDSLC - ($6), School to Career - ($25)
- Lottery Restricted - lower by ($61,494) - saving for book adoptions
- Federal Categorical - lower by ($177,476)
  - Mostly unspent carryover from prior fiscal years - ($113k)
  - Sites total ($64k) - Cloverly - ($12k), Emperor - ($33k), La Rosa - ($13k), Longden - ($4k), Oak - ($2k)
- MAA - lower by ($55,119) - not used waiting to see if there are any more issues
- CTEIG- lower by ($202,031) - due to grant amounts not spent in the current year.
- AMETLL (6382) - higher by $70,739 - not budgeted
- College readiness grant - (7338) - higher by $20,712 - not budgeted but was received in previous year
- District students at Regional classes in other districts
  - Expenses were not budgeted for in the current year
  - higher by $1,284,000
- Indirect costs - higher by $26,000

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $89,714,983 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 $12,855,020, or 16.7 percent, from last year (Table 4).

Table 4

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 17,716,800	$ 4,643,965
Land improvements, net of accumulated depreciation	3,316,342	3,485,670
Buildings and improvements, net of accumulated depreciation	67,163,726	67,225,753
Equipment, net of accumulated depreciation	1,518,115	1,504,575
Total	$ 89,714,983	$ 76,859,963

This year's additions of $15,356,534 included construction in progress 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. 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 $99.6 million in bonds outstanding versus $100.8 million last year, a decrease of 1.1 percent. The District’s long-term obligations consisted of the following:

Table 5

	Governmental Activities	
		(As Restated)
	2018	2017
General obligation bond	$ 99,620,949	$ 100,758,696
Accumulated vacation (net)	932,741	873,744
Capital lease obligations	3,360,179	3,579,601
Net other postemployment benefits (OPEB) liability	21,513,942	19,915,931
Total	$ 125,427,811	$ 125,127,972

ASSUMPTIONS FOR THE 2018 - 2019 BUDGET

Most of the parameters and assumptions made for the 2018-2019 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
  - 2.71 percent Cost Of Living Adjustment (2018-2019)
  - 2.57 percent Cost Of Living Adjustment (2019-2020)
  - 2.67 percent Cost Of Living Adjustment (2020-2021)
- No LCFF Gap Funding anticipated in future years
- Step and Column costs are included in all years
- Estimated Retiree Health Benefits $480,000 in 2018-2019; $480,000 in 2019-2020; and $480,000 in 2020-2021
- Deferred maintenance of $1,267,913 in 2018-2019; $1,498,368 in 2019-2020 and $1,507,8595 in 2020-2021
-
- Reserves meet 3 percent state minimum and 2 percent per Board Policy
- Assignment of reserve to address OPEB Unfunded Liability
  - $250,000 in 2018-2019, $500,000 in 2019-2020 and $750,000 in 2020-2021
- Change in STRS rate from 14.43 to 16.28 percent - additional cost of $510,327
- Change in PERS rate from 15.531 to 18.06 percent - additional cost of $151,054

These changes to the District Budget were made on the approved 2018-2019 fiscal budget dated June 27, 2018.

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, 2018

		Governmental Activities
ASSETS		
Deposits and investments	$	49,452,293
Receivables		1,505,534
Prepaid expenses		10,198
Stores inventories		46,505
Other current assets		254,792
Capital assets		
Land and construction in process		17,716,800
Other capital assets		105,527,523
Less: Accumulated depreciation		(33,529,340)
Total Capital Assets		89,714,983
Total Assets		140,984,305
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		3,604,838
Deferred outflows of resources related to pensions		19,746,495
Deferred outflows of resources related to postemployment benefits other than pensions		326,141
Total Deferred Outflows of Resources		23,677,474
LIABILITIES		
Accounts payable		5,599,325
Accrued interest payable		1,383,381
Unearned revenue		231,416
Long-term obligations		
Current portion of long-term obligations other than pensions		2,048,233
Noncurrent portion of long-term obligation other than pensions		123,379,578
Total Long-Term Obligations		125,427,811
Aggregate net pension liability		63,287,556
Total Liabilities		195,929,489
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		5,346,212
NET POSITION		
Net investment in capital assets		18,742,072
Restricted for:		
Debt service		2,287,152
Capital projects		1,050,928
Educational programs		2,418,053
Other activities		1,209,914
Unrestricted		(62,322,041)
Total Net Position	$	(36,613,922)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		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	$ 43,010,505	$ 1,438,906	$ 4,412,353	$ (37,159,246)
Instruction-related activities:				
Supervision of instruction	1,574,269	43,153	337,914	(1,193,202)
Instructional library, media and technology	754,858	18	111,271	(643,569)
School site administration	3,924,685	24	12	(3,924,649)
Pupil services:				
Home-to-school transportation	613,730	-	-	(613,730)
Food services	2,219,397	786,902	1,087,078	(345,417)
All other pupil services	3,671,990	169,767	777,068	(2,725,155)
Administration:				
Data processing	1,465,943	-	-	(1,465,943)
All other administration	3,749,370	43,501	214,909	(3,490,960)
Plant services	7,225,759	185	92	(7,225,482)
Ancillary services	113,803	-	-	(113,803)
Community services	28	-	-	(28)
Enterprise services	326,141	-	-	(326,141)
Interest on long-term obligations	4,800,066	-	-	(4,800,066)
Other outgo	1,233,935	326,535	748,383	(159,017)
Total Governmental Activities	$ 74,684,479	$ 2,808,991	$ 7,689,080	$ (64,186,408)
General Revenues and Subventions:				
Property taxes, levied for general purposes				12,579,504
Property taxes, levied for debt service				5,069,888
Taxes levied for other specific purposes				42,497
Federal and State aid not restricted to specific purposes				38,619,789
Interest and investment earnings				733,731
Miscellaneous				6,604,018
Total General revenues and Subventions				63,649,427
Change in Net Position				(536,981)
Net Position - Beginning				(23,863,590)
Restatement				(12,213,351)
Net Position - Beginning (As Restated)				(36,076,941)
Net Position - Ending				$ (36,613,922)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 22,706,918	$ 19,615,975	$ 7,129,400	$ 49,452,293
Receivables	1,200,294	115,373	189,867	1,505,534
Prepaid expenditures	10,198	-	-	10,198
Stores inventories	4,824	-	41,681	46,505
Other current assets	254,792	-	-	254,792
Total Assets	$ 24,177,026	$ 19,731,348	$ 7,360,948	$ 51,269,322
BALANCES				
Liabilities:				
Accounts payable	$ 4,439,572	$ 699,272	$ 460,481	$ 5,599,325
Unearned revenue	213,433	-	17,983	231,416
Total Liabilities	4,653,005	699,272	478,464	5,830,741
Fund Balances:				
Nonspendable	30,022	-	41,681	71,703
Restricted	2,418,053	19,032,076	5,931,375	27,381,504
Committed	-	-	908,954	908,954
Assigned	4,458,354	-	474	4,458,828
Unassigned	12,617,592	-	-	12,617,592
Total Fund Balances	19,524,021	19,032,076	6,882,484	45,438,581
Total Liabilities and Fund Balances	$ 24,177,026	$ 19,731,348	$ 7,360,948	$ 51,269,322

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 45,438,581
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:	$ 123,244,323	
Accumulated depreciation is:	(33,529,340)	
Net Capital Assets		89,714,983
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.		(1,383,381)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		3,604,838
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	5,616,776	
Net change in proportionate share of net pension liability	1,713,991	
Difference between projected and actual earnings on pension plan investments	574,260	
Differences between expected and actual experience in the measurement of the total pension liability.	767,377	
Changes of assumptions	11,074,091	
Total Deferred Outflows of Resources Related to Pensions		19,746,495

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, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (3,093,053)	
Difference between projected and actual earnings on pension plan investments	(1,243,410)	
Differences between expected and actual experience in the measurement of the total pension liability.	(814,300)	
Changes of assumptions	(195,449)	
Total Deferred Outflows of Resources Related to Pensions		$ (5,346,212)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		326,141
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(63,287,556)
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	(88,756,470)	
Premium on issuance, net of amortization	(1,493,176)	
Capital lease obligations	(3,360,179)	
Compensated absences - accumulated vacation	(932,741)	
Net other postemployment benefits (OPEB) liability	(21,513,942)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(9,371,303)	
Total Long-Term Obligations		(125,427,811)
Total Net Position - Governmental Activities		$ (36,613,922)

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, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 50,042,251	$ -	$ -	$ 50,042,251
Federal sources	2,248,807	-	1,077,647	3,326,454
Other State sources	5,122,079	-	450,195	5,572,274
Other local sources	6,618,918	397,354	7,401,292	14,417,564
Total Revenues	64,032,055	397,354	8,929,134	73,358,543
EXPENDITURES				
Current				
Instruction	38,243,467	-	619,671	38,863,138
Instruction-related activities:				
Supervision of instruction	1,489,985	-	-	1,489,985
Instructional library, media and technology	712,575	-	-	712,575
School site administration	3,535,276	-	123,644	3,658,920
Pupil services:				
Home-to-school transportation	593,433	-	-	593,433
Food services	-	-	2,138,661	2,138,661
All other pupil services	3,434,571	-	775	3,435,346
Administration:				
Data processing	1,412,606	-	-	1,412,606
All other administration	3,411,134	-	168,769	3,579,903
Plant services	5,637,219	-	1,425,524	7,062,743
Ancillary services	111,779	-	-	111,779
Other outgo	1,345,945	-	-	1,345,945
Enterprise services	326,141	-	-	326,141
Facility acquisition and construction	-	14,024,942	245,822	14,270,764
Debt service				
Principal	219,422	-	2,225,000	2,444,422
Interest and other	113,151	-	3,260,708	3,373,859
Total Expenditures	60,586,704	14,024,942	10,208,574	84,820,220
Excess (Deficiency) of Revenues Over Expenditures	3,445,351	(13,627,588)	(1,279,440)	(11,461,677)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,170,061	1,741,758	2,911,819
Transfers out	(2,911,819)	-	-	(2,911,819)
Net Financing Sources (Uses)	(2,911,819)	1,170,061	1,741,758	-
NET CHANGE IN FUND BALANCES	533,532	(12,457,527)	462,318	(11,461,677)
Fund Balance - Beginning	18,990,489	31,489,603	6,420,166	56,900,258
Fund Balances - Ending	$ 19,524,021	$ 19,032,076	$ 6,882,484	$ 45,438,581

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

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, 2018

Total Net Change in Fund Balances - Governmental Funds		$ (11,461,677)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeded depreciation in the period.		
Capital outlays	$ 14,395,673	
Depreciation expense	(1,540,653)	
Net Expense Adjustment		12,855,020
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than amounts used by $58,997.		(58,997)
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.		(1,729,682)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows and net OPEB liability during the year.		(1,271,870)

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, 2018

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		$ 2,225,000
Capital lease obligations		219,422
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net changes of the following balances:		
Premium on issuance for general obligation bonds	$ 112,010	
Amortization of deferred amount on refunding	(177,439)	
Combined Adjustment		(65,429)
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 $49,505 and second, $1,119,263 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,248,768)
Change in Net Position of Governmental Activities		$ (536,981)

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Fund
	Associated Student Body
ASSETS	
Deposits and investments	$ 388,265
Stores inventories	10,052
Total Assets	$ 398,317
LIABILITIES	
Due to student groups	$ 398,317

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 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 $1,539,354.

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

Prepaid Expenditures (Expense)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental-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 deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, 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, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,709,368 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.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 49,452,293
Fiduciary funds	388,265
Total Deposits and Investments	$ 49,840,558

Deposits and investments as of June 30, 2018, consisted of the following:

Cash on hand and in banks	$ 819,289
Cash in revolving	15,000
Investments	49,006,269
Total Deposits and Investments	$ 49,840,558

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	Average Maturity in Days
Los Angeles County Investment Pool	$ 48,349,781	609

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, 2018	Fair Value
Los Angeles County Investment Pool	Not Required	Not Required	$ 48,349,781

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, 2018, the District's bank balance of $480,332 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, 2018:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	$ 48,349,781	$ 48,349,781

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, 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	$ 354,248	$ -	$ 158,346	$ 512,594
State Government				
Lottery	240,342	-	-	240,342
Other State	401,077	-	10,539	411,616
Local Government				
Interest	131,945	115,373	9,824	257,142
Other Local Sources	72,682	-	11,158	83,840
Total	$ 1,200,294	$ 115,373	$ 189,867	$ 1,505,534

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,990,997	$ -	$ -	$ 1,990,997
Construction in progress	2,652,968	14,033,696	960,861	15,725,803
Total Capital Assets Not Being Depreciated	4,643,965	14,033,696	960,861	17,716,800
Capital Assets Being Depreciated				
Land improvements	5,741,871	-	-	5,741,871
Buildings and improvements	94,764,400	1,157,463	-	95,921,863
Furniture and equipment	3,698,414	165,375	-	3,863,789
Total Capital Assets Being Depreciated	104,204,685	1,322,838	-	105,527,523
Total Capital Assets	108,848,650	15,356,534	960,861	123,244,323
Less Accumulated Depreciation				
Land improvements	2,256,201	169,328	-	2,425,529
Buildings and improvements	27,538,647	1,219,490	-	28,758,137
Furniture and equipment	2,193,839	151,835	-	2,345,674
Total Accumulated Depreciation	31,988,687	1,540,653	-	33,529,340
Governmental Activities Capital Assets, Net	$ 76,859,963	$ 13,815,881	$ 960,861	$ 89,714,983

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

Governmental Activities	
Instruction	$ 983,852
Supervision of instruction	26,390
Instructional library, media, and technology	94,392
School site administration	18,171
Home-to-school transportation	20,297
Food services	54,590
All other pupil services	74,250
Anchillary services	1,269
Community services	28
Data processing	80,449
All other administration	30,010
Plant services	156,955
Total Depreciation Expenses Governmental Activities	$ 1,540,653

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From General Fund
Building Fund	$ 1,170,061
Non-Major Governmental Funds	1,741,758
Total	$ 2,911,819

The General Fund transferred to the Building Fund for reimbursement of HVAC costs.	$ 1,170,061
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future deferred maintenance projects.	1,741,758
Total	$ 2,911,819

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 1,199,468	$ -	$ 77,929	$ 1,277,397
State principle apportionment	282,027	-	-	282,027
Salaries and benefits	2,958,077	-	382,552	3,340,629
Construction	-	699,272	-	699,272
Total	$ 4,439,572	$ 699,272	$ 460,481	$ 5,599,325

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 9,572	$ -	$ 9,572
State categorical aid	202,031	-	202,031
Other local	1,830	17,983	19,813
Total	$ 213,433	$ 17,983	$ 231,416

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2018, is shown below:

	(As Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Governmental Activities					
General Obligation Bonds	$ 99,153,510	$ 1,199,263	$ 2,225,000	$ 98,127,773	$ 1,794,458
Premium on issuance	1,605,186	-	112,010	1,493,176	-
Capital Leases	3,579,601	-	219,422	3,360,179	253,775
Accumulated Vacation - net	873,744	58,997	-	932,741	-
Net OPEB Liability	19,915,931	2,036,324	438,313	21,513,942	-
Total Governmental Activities	$ 125,127,972	$ 3,294,584	$ 2,994,745	$ 125,427,811	$ 2,048,233

- 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 net OPEB liability 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, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
1998	2019	3.90% - 5.25%	$ 18,593,250	$ 2,849,326	$ -	$ 96,798	$ 1,435,000	$ 1,511,124
2001	2028	2.75% - 6.00%	5,406,501	10,530,226	-	583,799	125,000	10,989,025
2005	2022	3.50% - 5.25%	12,745,000	8,890,000	-	-	150,000	8,740,000
2012	2044	4.00% - 5.37%	39,998,164	23,619,838	-	357,436	490,000	23,487,274
2017	2047	3.00% - 6.06%	33,457,588	33,519,120	-	161,230	-	33,680,350
2017	2043	2.00% - 5.00%	19,745,000	19,745,000	-	-	25,000	19,720,000
			$129,945,503	$ 99,153,510	$ -	$ 1,199,263	$ 2,225,000	$ 98,127,773

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 and modernize classrooms and school facilities. At June 30, 2018, the principal balance outstanding was $1,511,124 and unamortized premium was $5,471.

The bonds mature through 2019 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Total
2019	$ 1,511,124	$ 23,876	$ 1,535,000

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, 2018, the principal balance outstanding was $10,989,025 and unamortized premium was $54,713.

The bonds mature through 2029 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Total
2019	$ 123,334	$ 1,666	$ 125,000
2020	116,255	8,745	125,000
2021	131,498	18,502	150,000
2022	123,948	26,052	150,000
2023	116,832	33,168	150,000
2024-2028	8,328,600	4,386,400	12,715,000
2029	2,048,558	1,501,442	3,550,000
Total	$ 10,989,025	$ 5,975,975	$ 16,965,000

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, 2018, the principal balance outstanding was $8,740,000 and unamortized premium was $331,449.

The bonds mature through 2023 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	$ 8,740,000	$ 1,420,175	$ 10,160,175

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, 2043, 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, 2018, the principal balance outstanding was $23,487,274 and unamortized premium was $303,719.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
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	345,000	-	833,875	1,178,875
2024-2028	5,890,475	2,049,525	5,962,009	13,902,009
2029-2033	801,799	708,201	6,165,983	7,675,983
2034-2038	2,875,000	-	5,076,877	7,951,877
2039-2043	10,775,000	-	1,894,375	12,669,375
2044	2,400,000	-	60,000	2,460,000
Total	$ 23,487,274	$ 2,757,726	$ 23,425,619	$ 49,670,619

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, 2018, the principal balance outstanding was $33,680,350 and unamortized premium was $412,140.

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
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	85,000	-	1,201,275	1,286,275
2024-2028	1,637,440	177,560	5,824,700	7,639,700
2029-2033	1,442,441	912,559	5,663,000	8,018,000
2034-2038	1,077,984	1,212,016	5,663,000	7,953,000
2039-2043	1,457,485	1,727,515	5,655,100	8,840,100
2044-2048	27,920,000	-	3,359,000	31,279,000
Total	$ 33,680,350	$ 4,029,650	$ 32,181,075	$ 69,891,075

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, 2018, the principal balance outstanding was $19,720,000 and unamortized premium was $385,684.

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ -	$ 796,413	$ 796,413
2020	-	796,413	796,413
2021	-	796,413	796,413
2022	-	796,413	796,413
2023	-	796,413	796,413
2024-2028	270,000	3,965,863	4,235,863
2029-2033	3,375,000	3,727,838	7,102,838
2034-2038	2,005,000	2,879,125	4,884,125
2039-2043	10,680,000	2,003,600	12,683,600
2044	3,390,000	67,800	3,457,800
Total	$ 19,720,000	$ 16,626,291	$ 36,346,291

Capital Lease

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

	Energy Management Equipment
Balance, July 1, 2017	$ 4,245,041
Payments	(332,574)
Balance, June 30, 2018	$ 3,912,467

The capital leases have minimum lease payments as follows:

Year Ending June 30,		Lease Payment
2019	$	359,262
2020		376,754
2021		394,922
2022		415,782
2023		444,844
2024-2027		1,920,903
Total		3,912,467
Less: Amount Representing Interest		552,288
Present Value of Minimum Lease Payments	$	3,360,179

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $932,741.

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 21,129,429	$ 326,141	$ 1,316,990
Medicare Premium Payment (MPP) Program	384,513	-	(45,120)
Total	$ 21,513,942	$ 326,141	$ 1,271,870

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	100
Active employees	568
	668

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Temple City Education Association (TCEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017-2018, the District contributed $326,141 to the Plan, of which $326,141 was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $21,129,429 was measured as of June 30, 2017 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.5 percent
Health care cost trend rates	4 percent for 2017

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

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

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 19,486,298
Service cost	1,338,406
Interest	697,918
Benefit payments	(393,193)
Net change in total OPEB liability	1,643,131
Balance at June 30, 2018	$ 21,129,429

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 24,383,030
Current discount rate (3.5%)	21,129,429
1% increase (4.5%)	18,455,035

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3%)	$ 20,371,938
Current healthcare cost trend rate (4%)	21,129,429
1% increase (5%)	22,064,436

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,316,990. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $326,141.

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

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

Contributions

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $384,513 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0914 percent and 0.0918 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of ($45,120).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the state treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net 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 OPEB Liability
1% decrease (2.58%)	$ 425,683
Current discount rate (3.58%)	384,513
1% increase (4.58%)	344,467

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare cost trend 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 347,467
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	384,513
1% increase (4.7% Part A and 5.1% Part B)	421,190

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 15,000	$ -	$ -	$ 15,000
Stores inventories	4,824	-	41,681	46,505
Prepaid expenditures	10,198	-	-	10,198
Total Nonspendable	30,022	-	41,681	71,703
Restricted				
Legally restricted programs	2,418,053	-	1,209,914	3,627,967
Capital projects	-	19,032,076	1,050,928	20,083,004
Debt services	-	-	3,670,533	3,670,533
Total Restricted	2,418,053	19,032,076	5,931,375	27,381,504
Committed				
Deferred maintenance program	-	-	905,137	905,137
Adult Education program	-	-	3,817	3,817
Total Committed	-	-	908,954	908,954
Assigned				
LCFF - Targeted	1,192,000	-	-	1,192,000
One-time Mandated	1,297,000	-	-	1,297,000
OPEB Liability	1,539,354	-	-	1,539,354
Career Technical Program	430,000	-	-	430,000
Capital projects	-	-	474	474
Total Assigned	4,458,354	-	474	4,458,828
Unassigned				
Economic uncertainties	3,000,777	-	-	3,000,777
Remaining unassigned	9,616,815	-	-	9,616,815
Total Unassigned	12,617,592	-	-	12,617,592
Total	$ 19,524,021	$ 19,032,076	$ 6,882,484	$ 45,438,581

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).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 46,687,172	$ 14,207,527	$ 4,793,824	$ 4,412,216
CalPERS	16,600,384	5,538,968	552,388	2,934,242
Total	$ 63,287,556	$ 19,746,495	$ 5,346,212	$ 7,346,458

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, 2016, 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, 2018, 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	14.430%	14.430%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $3,973,891.

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

At June 30, 2018, 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	$ 46,687,172
State's proportionate share of the net pension liability associated with the District	27,619,737
Total	$ 74,306,909

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0505 percent and 0.0516 percent, resulting in a net decrease in the proportionate share of 0.0011 percent.

For the year ended June 30, 2018, the District recognized pension expense of $4,412,216. In addition, the District recognized pension expense and revenue of $2,780,192 for support provided by the state. At June 30, 2018, 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	$ 3,973,891	$ -
Net change in proportionate share of net pension liability	1,411,638	2,736,114
Differences between projected and actual earnings on pension plan investments	-	1,243,410
Differences between expected and actual experience in the measurement of the total pension liability	172,654	814,300
Change of assumptions	8,649,344	-
Total	$ 14,207,527	$ 4,793,824

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (1,033,692)
2020	782,200
2021	112,788
2022	(1,104,706)
Total	$ (1,243,410)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,118,968
2020	1,118,968
2021	1,118,968
2022	1,118,967
2023	860,719
Thereafter	1,346,632
Total	$ 6,683,222

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 68,551,591
Current discount rate (7.10%)	46,687,172
1% increase (8.10%)	28,942,715

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date		
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%	6.5%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $1,642,885.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $16,600,384. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0695 percent and 0.0677 percent, resulting in a net increase in the proportionate share of 0.0018 percent.

For the year ended June 30, 2018, the District recognized pension expense of $2,934,242. At June 30, 2018, 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	$ 1,642,885	$ -
Net change in proportionate share of net pension liability	302,353	356,939
Difference between projected and actual earnings on pension plan investments	574,260	-
Differences between expected and actual experience in the measurement of the total pension liability	594,723	-
Changes of assumptions	2,424,747	195,449
Total	$ 5,538,968	$ 552,388

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (15,561)
2020	662,571
2021	241,713
2022	(314,463)
Total	$ 574,260

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 959,260
2019	903,049
2020	907,126
Total	$ 2,769,435

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	0.90%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 24,424,485
Current discount rate (7.15%)	16,600,384
1% increase (8.15%)	10,109,638

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 $1,991,237 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded in the calculation of available reserves, but 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, 2018.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Emperor Elementary School Modernization (Phase II)	$ 684,312	Summer/Fall 2019
La Rosa Elementary School Modernization (Phase II)	858,161	Summer/Fall 2019
Longden Elementary School Modernization	13,323,064	October 2018
Temple City High School Phase 1B	12,856,691	Spring 2019
	$ 27,722,228	

NOTE 14 - PARTICIPATION JOINT POWERS AUTHORITY

The District is a member of the West San Gabriel Joint Powers Authority 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.

Health and Welfare Insurance

West San Gabriel Fringe Benefits Self-Insurance Authority arranges for and 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, 2018, the District made payments of $306,998, $1,113,598, and 770,532 to West San Gabriel Liability and Property Self-Insurance Authority, West San Gabriel Workers’ Compensation Joint Powers Authority, and West San Gabriel Fringe Benefits Self-Insurance Authority, respectively, for its property liability, workers’ compensation, and health and welfare insurance premiums

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ (23,863,590)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(12,213,351)
Net Position - Beginning as Restated	$ (36,076,941)

REQUIRED SUPPLEMENTARY INFORMATION

TEMPLE CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 48,220,173	$ 49,947,455	$ 50,042,251	$ 94,796
Federal sources	2,236,946	2,615,777	2,248,807	(366,970)
Other state sources	1,985,235	2,859,462	5,122,079	2,262,617
Other local sources	3,899,653	3,899,653	6,618,918	2,719,265
Total Revenues [1]	56,342,007	59,322,347	64,032,055	4,709,708
EXPENDITURES				
Current				
Certificated salaries	27,691,350	28,160,128	27,639,275	520,853
Classified salaries	9,056,013	9,257,178	9,193,800	63,378
Employee benefits	11,615,703	12,085,394	13,588,950	(1,503,556)
Books and supplies	1,746,629	3,742,984	1,746,831	1,996,153
Services and operating expenditures	6,955,029	7,178,442	6,808,320	370,122
Capital outlay	7,300	78,122	85,684	(7,562)
Other outgo	213,716	213,715	1,191,271	(977,556)
Debt service				
Principal	-	-	219,422	(219,422)
Interest	-	-	113,151	(113,151)
Total Expenditures [1]	57,285,740	60,715,963	60,586,704	129,259
Excess (Deficiency) of Revenues Over Expenditures	(943,733)	(1,393,616)	3,445,351	4,838,967
Other Financing Sources (Uses)				
Transfers out	(250,000)	(1,977,272)	(2,911,819)	(934,547)
Net Financing Sources (Uses)	(250,000)	(1,977,272)	(2,911,819)	(934,547)
NET CHANGE IN FUND BALANCES	(1,193,733)	(3,370,888)	533,532	3,904,420
Fund Balance - Beginning	18,990,489	18,990,489	18,990,489	-
Fund Balance - Ending	$ 17,796,756	$ 15,619,601	$ 19,524,021	$ 3,904,420

[1] On behalf payments of $1,991,237 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 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 1,338,406
Interest	697,918
Benefit payments	(393,193)
Net change in total OPEB liability	1,643,131
Total OPEB liability - beginning	19,486,298
Total OPEB liability - ending (a)	$ 21,129,429
Covered-employee payroll	N/A[1]
District's net/total OPEB liability as a percentage of covered-employee payroll	N/A[1]

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

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

See accompanying note to required supplementary information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.0914%
District's proportionate share of the net OPEB liability	$ 384,513
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

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, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0505%	0.0516%
District's proportionate share of the net pension liability	$ 46,687,172	$ 41,748,055
State's proportionate share of the net pension liability associated with the District	27,619,737	23,766,423
Total	$ 74,306,909	$ 65,514,478
District's covered - employee payroll	$ 25,759,070	$ 25,796,850
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	181.25%	161.83%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.0695%	0.0677%
District's proportionate share of the net pension liability	$ 16,600,384	$ 13,376,637
District's covered - employee payroll	$ 8,481,063	$ 8,104,617
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	195.73%	165.05%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 3,973,891	$ 3,240,491
Contributions in relation to the contractually required contribution	3,973,891	3,240,491
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 27,539,092	$ 25,759,070
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 1,642,885	$ 1,177,850
Contributions in relation to the contractually required contribution	1,642,885	1,177,850
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 10,578,102	$ 8,481,063
Contributions as a percentage of covered - employee payroll	15.53%	13.89%

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%

	2016		2015
$	960,154	$	944,155
	960,154		944,155
$	-	$	-
$	8,104,617	$	8,021,026
	11.85%		11.77%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

Change in Benefit Terms - There were no changes in benefit terms since the previous valuation for other postemployment benefits.

Change of Assumptions - There were no change in assumptions since the previous valuation for other postemployment benefits.

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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, 2018

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):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 959,194
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	13,273
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	46,932
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	72,292
Preschool Staff Development, Part B, Section 619	84.173A	13431	197
Subtotal Special Education (IDEA) Cluster			1,091,888
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	783,166
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	93,865
Title III, Part A, English Language Acquisition Program			
Title III, English Learner Student Program	84.365	14346	129,424
Title III, Immigrant Student Program	84.365	15146	93,903
Subtotal Title III, Part A, English Language Acquisition Program			223,327
Total U.S. Department of Education			2,192,246
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	1,064,295
Food Distribution	10.555	13524	13,352
Subtotal Child Nutrition Cluster			1,077,647
Total U.S. Department of Agriculture			1,077,647
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	44,381
Total U.S. Department of Health and Human			44,381
Total Expenditures of Federal Awards			$ 3,314,274

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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
Vinson Bell	Vice President	2019
George Goold	Clerk	2019
Louise Huff	Member	2019
Kenneth Knollenberg	Member	2020

ADMINISTRATION

Kathy Perini*	Superintendent
Mark Skvavna	Interim Superintendent
Richard Tauer	Interim Superintendent
Monica Makiewicz	Assistant Superintendent, Educational Services
Robert French	Assistant Superintendent, Personnel Services
Marianne Sarrail	Chief Business Official

*Kathy Perini’s contract has ended as of June 30, 2018

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,519.12	1,521.98
Fourth through sixth	1,246.82	1,247.44
Seventh and eighth	937.59	939.91
Ninth through twelfth	1,970.05	1,965.76
Total Regular ADA	5,673.58	5,675.09
Extended Year Special Education		
Transitional kindergarten through third	2.98	2.98
Fourth through sixth	1.31	1.31
Seventh and eighth	1.56	1.56
Ninth through twelfth	3.39	3.39
Total Extended Year Special Education	9.24	9.24
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.18	1.13
Seventh and eighth	1.87	1.91
Ninth through twelfth	9.02	9.40
Total Special Education, Nonpublic, Nonsectarian Schools	12.07	12.44
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.04	0.04
Seventh and eighth	0.19	0.19
Ninth through twelfth	0.57	0.57
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.80	0.80
Total ADA	5,695.69	5,697.57

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

	1986-87	2017-18	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	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		66,162	180	N/A	Complied
Grade 10		66,162	180	N/A	Complied
Grade 11		66,162	180	N/A	Complied
Grade 12		66,162	180	N/A	Complied

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	General Fund
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	$ 18,546,575
Increase in:	
Accounts receivable	240,342
Decrease in:	
Accounts payable	737,104
Balance, June 30, 2018, Audited Financial Statement	$ 19,524,021

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	(As Restated) 2017	2016
GENERAL FUND				
Revenues	$ 62,004,053	$ 64,032,055	$ 61,615,077	$ 58,785,073
Expenditures	59,449,935	60,586,704	59,094,000	54,100,746
Other uses and transfers out	1,517,913	2,911,819	1,300,000	-
Total Expenditures and Other Uses	60,967,848	63,498,523	60,394,000	54,100,746
INCREASE (DECREASE) IN FUND BALANCE	$ 1,036,205	$ 533,532	$ 1,221,077	$ 4,684,327
ENDING FUND BALANCE	$ 20,560,226	$ 19,524,021	$ 18,990,489	$ 17,769,412
AVAILABLE RESERVES [2]	$ 7,018,989	$ 12,617,592	$ 10,867,905	$ 10,379,437
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	11.51%	20.51%	18.68%	19.81%
LONG-TERM OBLIGATIONS [4]	N/A	$125,427,811	$125,127,972	$ 75,018,327
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,667	5,696	5,751	5,772

The General Fund balance has increased by $1,754,609 over the past two years. The fiscal year 2018-2019 budget projects a further increase of $1,036,205 (5.31percent). 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 all of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $50,409,484 over the past two years.

Average daily attendance has decreased by 76 over the past two years. Additional decline of 29 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] On behalf payments of $1,991,237, $2,229,660, and $1,693,294 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

[4] Long-term obligations have been restated due to implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 498,802	$ 443,545	$ 510,159
Receivables	2,083	2,027	180,043
Stores inventories	-	-	41,681
Total Assets	$ 500,885	$ 445,572	$ 731,883
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6	$ 177,447	$ 227,492
Unearned revenue	-	17,983	-
Total Liabilities	6	195,430	227,492
Fund Balances:			
Nonspendable	-	-	41,681
Restricted	497,062	250,142	462,710
Committed	3,817	-	-
Assigned	-	-	-
Total Fund Balances	500,879	250,142	504,391
Total Liabilities and Fund Balances	$ 500,885	$ 445,572	$ 731,883

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
$ 960,251	$ 1,045,639	$ 471	$ 3,670,533	$ 7,129,400
-	5,711	3	-	189,867
-	-	-	-	41,681
$ 960,251	$ 1,051,350	$ 474	$ 3,670,533	$ 7,360,948
$ 55,114	$ 422	$ -	$ -	$ 460,481
-	-	-	-	17,983
55,114	422	-	-	478,464
-	-	-	-	41,681
-	1,050,928	-	3,670,533	5,931,375
905,137	-	-	-	908,954
-	-	474	-	474
905,137	1,050,928	474	3,670,533	6,882,484
$ 960,251	$ 1,051,350	$ 474	$ 3,670,533	$ 7,360,948

See accompanying note to supplementary information.

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, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ -	$ -	$ 1,077,647
Other state sources	340,979	-	70,617
Other local sources	3,817	993,186	846,441
Total Revenues	344,796	993,186	1,994,705
EXPENDITURES			
Current			
Instruction	17,454	602,217	-
Instruction-related activities:			
School site administration	-	123,644	-
Pupil services:			
Food services	-	-	2,138,661
All other pupil services	-	775	-
Administration:			
All other administration	-	38,367	116,306
Plant services	-	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	17,454	765,003	2,254,967
Excess (Deficiency) of Revenues Over Expenditures	327,342	228,183	(260,262)
OTHER FINANCING SOURCES			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	327,342	228,183	(260,262)
Fund Balances - Beginning	173,537	21,959	764,653
Fund Balances - Ending	$ 500,879	$ 250,142	$ 504,391

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 1,077,647
-	-	-	38,599	450,195
371	484,736	8	5,072,733	7,401,292
371	484,736	8	5,111,332	8,929,134
-	-	-	-	619,671
-	-	-	-	123,644
-	-	-	-	2,138,661
-	-	-	-	775
-	14,096	-	-	168,769
911,583	513,941	-	-	1,425,524
208,907	36,915	-	-	245,822
-	-	-	2,225,000	2,225,000
-	-	-	3,260,708	3,260,708
1,120,490	564,952	-	5,485,708	10,208,574
(1,120,119)	(80,216)	8	(374,376)	(1,279,440)
1,741,758	-	-	-	1,741,758
621,639	(80,216)	8	(374,376)	462,318
283,498	1,131,144	466	4,044,909	6,420,166
$ 905,137	$ 1,050,928	$ 474	$ 3,670,533	$ 6,882,484

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 have been recorded in current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 3,326,454
Medi-Cal Billing Option	93.778	(12,180)
Total Schedule of Expenditures of Federal Awards		$ 3,314,274

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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, 2018, 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 15, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 15, 2018.

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 15, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Temple City Unified School District's major Federal programs for the year ended June 30, 2018. 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.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

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, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018

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 (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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 opinion. Our audit does not provide a legal determination of Temple City Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Instructional Materials Program

As described in the accompanying schedule of findings and questioned costs, Temple City Unified School District did not comply with requirements regarding the Instructional Materials Program Finding 2018-001. Compliance with such requirements is necessary, in our opinion, for Temple City Unified School District to comply with the requirements applicable to that program.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Qualified Opinion on Instructional Materials Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Temple City Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

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, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs; Finding 2018-001.

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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	

The District's Independent Study Program ADA is below the level required for testing; therefore, we did not perform procedures related to the Independent Study Program.

The District's Continuation Education Program is below the level required for testing; 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 offer a Middle or Early College High School Program; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

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
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster

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

Unmodified for all programs except for the following program/s which was qualified:

Name of Program
Instructional Materials

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following finding represents instances of noncompliance related to state program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
70000	Instructional Materials

2018-001 70000

Criteria or Specific Requirements

As required by *Education Code section 60119*, the governing board shall hold a public hearing or hearings at which the governing board shall make a determination, through a resolution, as to whether each pupil in each school in the District has sufficient textbooks or instructional materials. The public hearing is required to take place on or before the end of the eighth week from the first day pupils attend school for that year.

Condition

The District is required to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for the year. The District held the public hearing on October 18, 2017 which was 1 day after the deadline of October 17, 2017.

Questioned Costs

No questioned costs

Context

The District did not hold a public hearing within the time frame required.

Effect

As a result of our testing, the District was not compliant with *Education Code section 60119* for the 2017-2018 fiscal year since the District did not hold the public hearing in a timely manner.

Cause

The District did not monitor the date to ensure it was performed within the required time frame.

Recommendation

It is recommended that the District implement procedures to ensure that the public hearing is performed in the time frame as noted in the above referenced education code.

Corrective Action Plan

District's policies and procedures have been developed to prevent this delay from occurring in the future.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

VALUE THE difference

Governing Board
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, 2018, 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 15, 2018 on the government-wide financial statements of the District.

ASSOCIATE STUDENT BODY (ASB)

Oak Avenue Middle School - Timely Deposits

Observation

One of 15 receipts tested was not deposited in a timely manner. Receipt number 3187 took 37 days from the date received to the date deposited. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.

Oak Avenue Middle School - Disbursements

Observation

In reviewing the cash disbursement procedures at the site it was noted that several disbursements reviewed had check requests that did not contain proper approvals.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Recommendation

The site should review the cash disbursement procedures outlined in the Fiscal Crisis and Management Assistance Team's manual titled, ASB Accounting Manual, Fraud Prevention Guide and Desk Reference. The manual explains that three signatures, one being a student representative, are required pursuant to California *Educational Code* Section 48933(5)(b) on all disbursements from a student body account and that documents supporting a disbursement should be kept in organized files with the student body bookkeeper so that they can be easily reviewed should the need arise.

Oak Avenue Middle School - Master Ticket Log

Observation

A master ticket log is not being properly used. Site is using log as a sales report. Furthermore, the ASB Bookkeeper could not locate the orange roll as noted in the ticket sales log. No log of a blue ticket roll was noted as observed by the auditor. The blue ticket roll was turned in to the front office.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role and should be updated after every event. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Oak Avenue Middle School - Segregation of Duties

Observation

There is a lack of segregation of duties at the site. The ASB Bookkeeper is performing cash collection, recording receipts, and making deposits. Six out of 15 receipts selected for testing had the ASB Bookkeeper counting the cash count as well as recording the cash receipts transactions.

Recommendation

The site should provide for adequate segregation of duties such as between those with custody and recording of the cash receipts transactions.

Oak Avenue Middle School - Revenue Potential

Observation

Auditor noted one of three revenue potential forms were not complete. These forms supply an element of internal controls; without, which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

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 - 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.

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.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018