

NEW ISSUE—FULL BOOK-ENTRY

RATING: S&P: “AA-”

(See “MISCELLANEOUS – Rating” herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2012 Series C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Bonds.

**TEMPLE CITY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)**

\$8,000,000*
**Election of 2012 General Obligation Bonds,
Series C
(Federally Tax-Exempt)**

\$21,000,000*
**2019 General Obligation Refunding Bonds
(Federally Taxable)**

Dated: Date of Delivery

Due: August 1, as shown herein

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

The Temple City Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C (Federally Tax-Exempt) (the “2012 Series C Bonds”) were authorized at an election of the registered voters of the Temple City Unified School District (the “District”) held on November 6, 2012, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$128,800,000 principal amount of general obligation bonds. The 2012 Series C Bonds are being issued to acquire, construct, renovate and equip District sites and facilities, and to pay the costs of issuing the 2012 Series C Bonds.

The Temple City Unified School District (Los Angeles County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds,” and together with the 2012 Series C Bonds, the “Bonds”), are being issued by the District to refund all or a portion of its outstanding Prior Bonds (as defined herein), and to pay the costs of issuing of the Refunding Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of interests in the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds.

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

Payments of principal of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of the County to act as Paying Agent for the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedule*
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2019.

RAYMOND JAMES

Dated: _____, 2019.

* Preliminary, subject to change.

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

MATURITY SCHEDULE*

\$8,000,000*

**TEMPLE CITY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2012 General Obligation Bonds, Series C
(Federally Tax-Exempt)**

Base CUSIP[†]: 879828

\$ _____ Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
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\$ _____ – _____ % Term Bonds due August 1, 20__ – Yield _____ %; CUSIP[†]:

MATURITY SCHEDULE*

\$21,000,000*

**TEMPLE CITY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)**

Base CUSIP[†]: 879828

\$ _____ Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
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* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

⁽²⁾ Yield to call at par on August 1, 20__.

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

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

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

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

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

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

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Donna Georgino, *President*
Kenneth Knollenberg, *Vice President*
Dr. Mike Lin, *Clerk*
Melissa Espinoza, *Member*
Matt Smith, *Member*

ADMINISTRATIVE STAFF

Kimberly Fricker, Ed.D., *Superintendent*
Marianne Sarraill, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

California Financial Services
Santa Rosa, California

PAYING AGENT AND TRANSFER AGENT

U.S. Bank National Association, as agent of the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

ESCROW VERIFICATION

Causey Demgen & Moore P.C.
Denver, Colorado

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**TEMPLE CITY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)**

\$8,000,000*

**Election of 2012 General Obligation Bonds,
Series C
(Federally Tax-Exempt)**

\$21,000,000*

**2019 General Obligation Refunding Bonds
(Federally Taxable)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the (i) Temple City Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C (Federally Tax-Exempt) (the “2012 Series C Bonds”), and (ii) Temple City Unified School District (Los Angeles County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds,” and together with the 2012 Series C Bonds, the “Bonds”).

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

General

The Temple City Unified School District (the “District”) was established as a unified school district on July 1, 1954. The District is located in the West San Gabriel Valley, approximately five miles southeast of Pasadena and 13 miles northeast of downtown Los Angeles, approximately 23 miles northeast of Los Angeles International Airport and 20 miles southeast of Burbank/Glendale/Pasadena Airport. The District encompasses an area of approximately 3.986 square miles and includes within its boundaries the incorporated City of Temple City, as well as small portions of the cities of San Gabriel and Arcadia and some unincorporated areas of Los Angeles County (the “County”). The District maintains one comprehensive high school, one alternative school, one intermediate school, four elementary schools, and an adult education school and serves a population of approximately 35,000. For fiscal year 2019-20, the District’s budgeted average daily attendance (“ADA”) is 5,516 students, and taxable property within the District has an assessed valuation of \$5,358,795,528.

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Ms. Kimberly Fricker, Ed.D. is currently the District’s Superintendent.

For more information regarding the District generally, see “DISTRICT FINANCIAL INFORMATION” and “TEMPLE CITY UNIFIED SCHOOL DISTRICT,” and for more information regarding the District’s assessed valuation, see “TAX BASE FOR REPAYMENT OF BONDS” herein.

* Preliminary, subject to change.

Purposes of the Bonds

2012 Series C Bonds. The 2012 Series C Bonds are being issued to acquire, construct, renovate and equip District sites and facilities, and to pay the costs of issuing the 2012 Series C Bonds.

Refunding Bonds. The Refunding Bonds are being issued to refund all or a portion of the District's outstanding Election of 2012 General Obligation Bonds, Series A (collectively, the "Prior Bonds"), and to pay the costs of issuing the Refunding Bonds. The portions of the Prior Bonds refunded with proceeds of the Refunding Bonds are referred to herein as the "Refunded Bonds."

See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the Board of Education of the District. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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

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

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1, commencing February 1, 2020 (each, a “Bond Payment Date”). Principal on the Bonds is payable on August 1 of each year, as shown on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. U.S. Bank National Association, Los Angeles, California, has been appointed as agent of the Treasurer and Tax Collector of the County (the “Treasurer”) to act as Paying Agent for the Bonds. See also “THE BONDS – Book-Entry Only System” herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2012 Series C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities DTC in New York, New York, on or about _____, 2019.

Bond Owner’s Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the District’s financial condition and taxation of property within the District, see “TAX BASE FOR REPAYMENT OF BONDS,” “DISTRICT FINANCIAL INFORMATION” and “TEMPLE CITY UNIFIED SCHOOL DISTRICT” herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out the provisions of that certain Continuing Disclosure Certificate relating to the Bonds. Pursuant thereto, the District will covenant for

* Preliminary, subject to change.

the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. California Financial Services, Santa Rosa, California, is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson and Rauth and California Financial Services will each receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Norton Rose Fulbright US LLP, Los Angeles, California. In addition to acting as Paying Agent for the Bonds, U.S. Bank National Association will act as Escrow Agent for the Refunded Bonds. Causey Demgen & Moore P.C., Denver, Colorado, will act as Verification Agent for the Refunded Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Temple City Unified School District, 9700 Las Tunas Drive, Temple City California, 91780, telephone: (626) 548-5000. The District may impose a charge for copying, mailing and handling.

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

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

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

THE BONDS

Authority for Issuance

2012 Series C Bonds. The 2012 Series C Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the “Act”), Article XIII A of the California Constitution and other applicable law, and pursuant to a resolution adopted by the Board on October 23, 2019 (the “New Money Resolution”). The District received authorization at an election held on November 6, 2012, by the requisite 55% or more of the votes cast by eligible voters of the District to issue \$128,800,000 aggregate principal amount of general obligation bonds (the “Authorization”). On August 7, 2013 the District issued its Election of 2012 General Obligation Bonds, Series A in the aggregate principal amount of \$39,998,164.35 (the “2012 Series A Bonds”). On February 14, 2017 the District issued its Election of 2012 General Obligation Bonds, Series B in the aggregate principal amount of \$33,457,588.30 (the “2012 Series B Bonds”). The 2012 Series C Bonds are the third issuance of bonds under the Authorization, and following the issuance thereof, \$48,944,247.35* of bonds will remain authorized and unissued.

Refunding Bonds. The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Act, and pursuant to a resolution adopted by the Board on October 23, 2019 (the “Refunding Resolution,” and together with the New Money Resolution, the “Resolutions”).

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed in the respective Debt Service Funds (defined herein), each of which is required to be segregated and maintained by the County and which is designated for the payment of the respective series of Bonds to which such Debt Service Fund relates, and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective series of Bonds to which such fund relates. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, none of the Bonds are a debt of the County.

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

The rate of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to

* Preliminary, subject to change.

fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Statutory Liens

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

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

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Beneficial Owners will not receive certificates representing their interests in the Bonds.

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

Payment. Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record

Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Annual Debt Service

2012 Series C Bonds. The following table displays the annual debt service requirements of the District for the 2012 Series C Bonds (assuming no optional redemptions):

Year Ending Aug. 1	Annual Principal Payment	Annual Interest Payment⁽¹⁾	Total Annual Debt Service Payment
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Total

⁽¹⁾ Interest payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

Refunding Bonds. The following table displays the annual debt service requirements of the District for the Refunding Bonds (assuming no optional redemptions):

Year Ending Aug. 1	Annual Principal Payment	Annual Interest Payment⁽¹⁾	Total Annual Debt Service Payment
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Total

⁽¹⁾ Interest payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

See “TEMPLE CITY UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a full table of the annual debt service requirements for the District’s outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

2012 Series C Bonds. The 2012 Series C Bonds are being issued to finance the acquisition, construction, renovation and equipping of certain District property and facilities, and to pay the costs of issuing the 2012 Series C Bonds.

The net proceeds from the sale of the 2012 Series C Bonds will be paid to the County to the credit of the “Temple City Unified School District, Election of 2012 General Obligation Bonds Series C Building Fund” (the “Building Fund”). Any premium received by the County from the sale of the 2012 Series C Bonds will be kept separate and apart in the fund designated as the “Temple City Unified School District, Election of 2012 General Obligation Bonds, Series C Debt Service Fund” (the “2012 Series C Debt Service Fund”) and used only for payment of principal of and interest on the 2012 Series C Bonds,

and for no other purpose. Any excess proceeds of the 2012 Series C Bonds not needed for the authorized purposes for which the 2012 Series C Bonds are being issued will be transferred to the 2012 Series C Debt Service Fund and applied to the payment of principal of and interest on the 2012 Series C Bonds. If, after payment in full of the 2012 Series C Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District.

Refunding Bonds. The proceeds from the sale of the Refunding Bonds will be used by the District to refund the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds. The following tables show information on the specific maturities of the Refunded Bonds to be refunded with proceeds of the Bonds.

REFUNDED BONDS*
Temple City Unified School District
Election of 2012 General Obligation Bonds, Series A (Current Interest Bonds)

<u>Maturity Date</u> <u>(August 1)</u>	<u>CUSIP</u> [†]	<u>Principal</u> <u>Amount</u>	<u>Principal to</u> <u>be Refunded</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Principal Amount)</u>
2038	879828KNO	\$6,050,000	\$6,050,000	8/1/2023	100%
2043	879828KP5	10,000,000	10,000,000	8/1/2023	100

REFUNDED BONDS*
Temple City Unified School District
Election of 2012 General Obligation Bonds, Series A (Capital Appreciation Bonds)

<u>Maturity Date</u> <u>August 1</u>	<u>CUSIP</u> [†]	<u>Initial Principal</u> <u>Amount</u>	<u>Accreted Value</u> <u>at Redemption</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Accreted Value)</u>
2027	879828KW0	\$202,153.60	\$352,233.20	August 1, 2023	100%
2028	879828KX8	276,566.40	493,726.20	August 1, 2023	100
2029	879828KY6	325,320.50	592,705.00	August 1, 2023	100

The net proceeds from the sale of the Refunding Bonds shall be deposited with U.S. Bank National Association, acting as escrow agent (the “Escrow Agent”), to the credit of the fund (the “Escrow Fund”) held pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent. A portion of the amount deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal of the Refunded Bonds on the first optional redemption date therefor, as well as the interest due on such Refunded Bonds on and before such date.

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded Bonds, and the accrued interest due on the Refunded Bonds, on the above-referenced dates will be verified by Causey Demgen & Moore PC (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate.

Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds shall be kept separate and apart in the fund designated as the "Temple City Unified School District, 2019 General Obligation Refunding Bonds Debt Service Fund" (the "Refunding Debt Service Fund," and together with the 2012 Series C Debt Service Fund, the "Debt Service Funds"), and used by the District only for payment of principal of and interest on the Refunding Bonds. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes for which the Refunding Bonds are being issued shall be transferred to the Refunding Debt Service Fund and applied to the payment of principal of and interest on the Refunding Bonds. If, after payment in full of the Refunding Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Investment of Proceeds. Money in the Escrow Fund will be invested as described above. Moneys in the Building Fund and the Debt Service Funds are expected to be invested through the County of Los Angeles Investment Pool. See "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" herein.

Redemption

Optional Redemption.* The 2012 Series C Bonds maturing on August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The 2012 Series C Bonds maturing on August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

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

* Preliminary, subject to change.

Mandatory Redemption. * The 2012 Series C Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending <u>August 1</u>	Principal <u>To Be Redeemed</u>
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⁽¹⁾ Maturity.

The Refunding Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending <u>August 1</u>	Principal <u>To Be Redeemed</u>
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⁽¹⁾ Maturity.

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

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

Redemption Notice. When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions

* Preliminary, subject to change.

thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate, accretion rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

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

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

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

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

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

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

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

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

Book-Entry Only System

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds and distribution on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distribution to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Discontinuation of Book-Entry Only System; Registration, Exchange and Transfer of Bonds

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

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

The principal of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof, as applicable) upon presentation and surrender at the designated office of the Paying Agent, together with a request for

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

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

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with any amounts transferred from the Debt Service Fund (if any) is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or

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

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

“Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are

held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) or Moody’s Investors Service (“Moody’s”).

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	2012 Series C <u>Bonds</u>	Refunding <u>Bonds</u>
Principal Amount of Bonds		
Net Original Issue Premium		
Total Sources		
 Uses of Funds		
Costs of Issuance ⁽¹⁾		
Underwriter’s Discount		
Building Fund		
Debt Service Fund		
Escrow Fund		
Total Uses		

⁽¹⁾ Reflects all costs of issuance, including legal and financial advisory fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, and, with respect to the Refunding Bonds, the costs and fees of the Verification Agent and Escrow Agent.

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TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

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

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts (as defined herein) will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The following table represents a 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year.

**ASSESSED VALUATION
Fiscal Years 2010-11 through 2019-20
Temple City Unified School District**

<u>Fiscal Year</u>	<u>Secured Valuation</u>	<u>Utility</u>	<u>Unsecured Valuation</u>	<u>Total Valuation</u>	<u>% Change</u>
2010-11	\$3,286,437,005	--	\$33,136,480	\$3,319,573,485	--
2011-12	3,435,746,363	--	34,245,874	3,469,992,237	4.53
2012-13	3,563,369,342	--	34,823,619	3,598,192,961	3.69
2013-14	3,759,570,115	--	32,788,944	3,792,359,059	5.40
2014-15	3,994,055,682	--	34,671,827	4,028,727,509	6.23
2015-16	4,245,879,548	--	33,878,942	4,279,758,490	6.23
2016-17	4,511,716,283	\$69,696	33,459,254	4,545,245,233	6.20
2017-18	4,777,347,558	69,696	39,699,285	4,817,116,539	5.98
2018-19	5,019,862,795	69,696	36,718,336	5,056,650,827	4.97
2019-20	5,319,738,516	69,696	38,987,316	5,358,795,528	5.98

Sources: California Municipal Statistics, Inc.

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

Appeals of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions

improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

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

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

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

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

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Assessed Valuation of Single Family Homes

The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2019-20 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES Fiscal Year 2019-20 Temple City Unified School District

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	7,022	\$3,655,256,833	\$520,544	\$451,792

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	35	0.498%	0.498%	\$ 1,484,349	0.041%	0.041%
50,000 - 99,999	674	9.598	10.097	50,165,083	1.372	1.413
100,000 - 149,999	303	4.315	14.412	37,493,767	1.026	2.439
150,000 - 199,999	242	3.446	17.858	42,584,437	1.165	3.604
200,000 - 249,999	342	4.870	22.729	77,974,458	2.133	5.737
250,000 - 299,999	423	6.024	28.752	116,867,814	3.197	8.934
300,000 - 349,999	569	8.103	36.856	184,558,221	5.049	13.983
350,000 - 399,999	516	7.348	44.204	193,352,976	5.290	19.273
400,000 - 449,999	391	5.568	49.772	165,204,801	4.520	23.793
450,000 - 499,999	308	4.386	54.158	145,920,771	3.992	27.785
500,000 - 549,999	266	3.788	57.946	139,789,994	3.824	31.609
550,000 - 599,999	340	4.842	62.788	195,266,463	5.342	36.951
600,000 - 649,999	386	5.497	68.285	241,971,573	6.620	43.571
650,000 - 699,999	366	5.212	73.498	247,278,100	6.765	50.336
700,000 - 749,999	334	4.756	78.254	241,976,109	6.620	56.956
750,000 - 799,999	308	4.386	82.640	238,833,022	6.534	63.490
800,000 - 849,999	247	3.518	86.158	203,544,680	5.569	69.059
850,000 - 899,999	208	2.962	89.120	181,851,468	4.975	74.034
900,000 - 949,999	119	1.695	90.815	109,716,813	3.002	77.035
950,000 - 999,999	90	1.282	92.096	87,586,967	2.396	79.431
1,000,000 and greater	<u>555</u>	<u>7.904</u>	100.000	<u>751,834,967</u>	<u>20.569</u>	100.000
Total	7,022	100.000%		\$3,655,256,833	100.000%	

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

Assessed Valuation and Parcels by Land Use

The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2019-20 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2019-20
Temple City Unified School District

	2019-20	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u>⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Commercial	\$364,654,087	6.85%	348	3.63%
Vacant Commercial	1,760,517	0.03	7	0.07
Industrial	14,431,795	0.27	28	0.29
Vacant Industrial	511,227	0.01	4	0.04
Recreational	4,319,815	0.08	4	0.04
Government/Social/Institutional	41,166,812	0.77	94	0.98
Miscellaneous	<u>8,038,935</u>	<u>0.15</u>	<u>41</u>	<u>0.43</u>
Subtotal Non-Residential	\$434,883,188	8.17%	526	5.48%
<u>Residential:</u>				
Single Family Residence	\$3,655,256,833	68.71%	7,022	73.15%
Condominium/Townhouse	503,199,056	9.46	1,077	11.22
2-4 Residential Units	440,483,235	8.28	710	7.40
5+ Residential Units/Apartments	239,508,979	4.50	164	1.71
Vacant Residential	<u>46,407,225</u>	<u>0.87</u>	<u>100</u>	<u>1.04</u>
Subtotal Residential	\$4,884,855,328	91.83%	9,073	94.52%
Total	\$5,319,738,516	100.00%	9,599	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.
 Source: California Municipal Statistics, Inc.

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Assessed Valuation by Jurisdiction

The following table shows the assessed valuation by jurisdiction for fiscal year 2019-20.

ASSESSED VALUATION BY JURISDICTION Fiscal Year 2019-20 Temple City Unified School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Arcadia	\$434,198,720	8.10%	\$17,616,632,062	2.46%
City of San Gabriel	163,903	0.00	5,693,295,903	0.00
City of Temple City	3,854,415,242	71.93	5,524,178,913	69.77
Unincorporated Los Angeles County	<u>1,070,017,663</u>	<u>19.97</u>	111,408,534,823	0.96
Total District	\$5,358,795,528	100.00%		
Los Angeles County	\$5,358,795,528	100.00%	\$1,612,990,196,814	0.33%

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The following table shows secured *ad valorem* tax within the District, and amounts delinquent as of June 30, for fiscal years 2007-08 through 2018-19.

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2007-08 through 2018-19 Temple City Unified School District

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amt.Del. June 30</u>	<u>%Del. June 30</u>
2007-08	\$5,113,006.80	\$256,584.90	5.02%
2008-09	5,419,617.23	254,800.18	4.70
2009-10	5,414,947.33	186,459.64	3.44
2010-11	5,596,749.79	134,803.10	2.41
2011-12	5,884,559.13	123,285.01	2.10
2012-13	6,138,309.94	110,777.19	1.80
2013-14	6,495,254.62	96,212.47	1.48
2014-15	6,928,504.07	100,249.66	1.45
2015-16	7,391,141.99	105,354.91	1.43
2016-17	7,847,916.32	93,661.26	1.19
2017-18	8,377,371.28	104,543.78	1.25
2018-19	8,791,827.18	120,614.61	1.37
	<u>Secured Tax Charge⁽²⁾</u>	<u>Amt.Del. June 30</u>	<u>%Del. June 30</u>
2011-12	\$1,554,960.59	\$24,598.47	1.58%
2012-13	1,755,727.82	9,128.30	0.52
2013-14	4,013,085.80	28,770.16	0.72
2014-15	3,958,847.21	30,724.12	0.78
2015-16	4,176,608.21	44,862.62	1.07
2016-17	4,497,518.02	20,202.18	0.45
2017-18	4,864,228.68	29,434.07	0.61
2018-19	5,147,295.59	41,573.46	0.81

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.

⁽²⁾ Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - “Teeter Plan”

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

The District participates in the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2017-18 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District. Thus, the District’s participation in CSDTFA’s program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also “—*Ad Valorem* Property Taxation” herein.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of total assessed valuation, levied by all taxing entities in a typical tax rate area (a “TRA”) within the District during the five-year fiscal year period from 2015-16 to 2019-20:

**SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2015-16 through 2019-20
(Tax Rate Area 9285)⁽¹⁾
Temple City Unified School District**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Temple City Unified School District	.098235	.100515	.102316	.102455	.097120
Pasadena Area Community College District	.008722	.008850	.008186	.007674	.007207
Metropolitan Water District	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>
Total	1.110457%	1.112865%	1.114002%	1.113629%	1.107827%

⁽¹⁾ 2019-20 assessed valuation of TRA 9285 is \$2,471,345,734.
Source: *California Municipal Statistics, Inc.*

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Principal Taxpayers

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

20 LARGEST LOCAL SECURED TAXPAYERS

Fiscal Year 2019-20

Temple City Unified School District

	<u>Property Owner</u>	<u>2019-20 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1.	Gateway LP	Shopping Center	\$38,583,220	0.73%
2.	Baldwin Arcadia Center LP	Shopping Center	25,870,015	0.49
3.	720 West Camino Real LLC	Assisted Living Facility	17,346,947	0.33
4.	Linkworld Properties LLC	Shopping Center	12,696,802	0.24
5.	Hui Lin	Hotel	12,449,110	0.23
6.	Thomas W. Redfern Trust	Apartments	11,187,727	0.21
7.	Ho Sultana LLC	Apartments	9,030,392	0.17
8.	Chung W. Huang	Residential Properties	8,789,622	0.17
9.	Rosemead 32 LLC	Apartments	8,747,460	0.16
10.	Huixia Chen	Residential Properties	8,416,020	0.16
11.	Ralphs Grocery Co.	Shopping Center	7,076,091	0.13
12.	Iris and Xy LLC	Commercial	6,950,911	0.13
13.	Rose Properties LP	Apartments	6,636,580	0.12
14.	New World International LLC	Office Building	6,350,000	0.12
15.	Well Vantage Group LLC	Apartments	6,227,250	0.12
16.	Charlemagne Seattle	Apartments	6,104,186	0.11
17.	Michael J. Irwin Trust	Apartments	5,837,335	0.11
18.	Kip K. McBane Trust	Apartments	5,744,518	0.11
19.	ACH Healthcare Property LLC	Assisted Living Facility	5,713,512	0.11
20.	Pacific Realty Associates LP	Shopping Center	<u>5,658,191</u>	<u>0.11</u>
			\$215,415,889	4.05%

⁽¹⁾ 2019-20 local secured assessed valuation: \$5,319,738,516.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. dated as of November 1, 2019, for debt issued as of October 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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**STATEMENT OF DIRECT AND OVERLAPPING DEBT
Temple City Unified School District**

2019-20 Assessed Valuation: \$5,358,795,528

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/19</u>
Metropolitan Water District	0.173%	\$83,127
Pasadena Area Community College District	5.708	3,971,626
Temple City Unified School District	100.000	86,136,734⁽¹⁾
City of Arcadia	2.465	<u>245,637</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$90,437,124
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.332%	\$7,871,833
Los Angeles County Superintendent of Schools Certificates of Participation	0.332	17,206
Los Angeles County Sanitation District No. 15 Authority	7.270	<u>420,305</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$8,309,344
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$1,418,695
COMBINED TOTAL DEBT		\$100,165,163⁽²⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$86,136,734)..... 1.61%
 Total Direct and Overlapping Tax and Assessment Debt..... 1.69%
 Combined Total Debt 1.87%

Ratios to Redevelopment Incremental Valuation (\$68,351,896):

Total Overlapping Tax Increment Debt.....2.08%

⁽¹⁾ Excludes the Bonds, but includes the Refunded Bonds in an aggregate principal amount of \$16,854,040.50.*

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

Source: California Municipal Statistics, Inc.

* Preliminary, subject to change.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

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

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

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

So long as the District is not a basic aid district (as described herein), taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Proposition 50 and Proposition 171

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

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

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

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

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

Article XIII B of the California Constitution

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

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

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

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided

directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

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

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

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

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The

Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

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

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

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

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

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety,

class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was projected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See also "DISTRICT FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies" herein.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30

increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

Jarvis vs. Connell

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

Proposition 2

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

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

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

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

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

Proposition 51

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

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and

purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual State budget process.

The District makes no representation or guarantee that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

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

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DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2008-09 through 2012-13
Temple City Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Annual Change in ADA</u>	<u>Base Revenue Limit Per ADA</u>	<u>Deficit Revenue Limit Per ADA⁽²⁾</u>
2008-09	5,468	(101)	\$6,101.72	\$5,623.10
2009-10	5,446	(22)	6,363.72	5,195.66
2010-11	5,529	83	6,363.26	5,220.23
2011-12	5,620	91	6,506.81	5,166.28
2012-13	5,716	96	6,719.62	5,223.03

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

⁽²⁾ Deficit revenue limit funding, if provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit limit funding was most recently reinstated beginning in fiscal year 2007-08 and eliminated with the implementation of the LCFF (defined herein).

Source: Temple City Unified School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) (“SB 91”), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well

as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget Measures” for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2018-19 and projected figures for fiscal year 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 and 2019-20
Temple City Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽²⁾
2013-14	1,503.74	1,249.70	954.80	2,111.06	5,819.30	6,000	49.78%
2014-15	1,490.96	1,258.83	943.49	2,125.24	5,818.52	5,930	48.84
2015-16	1,491.72	1,309.13	886.60	2,084.08	5,771.53	5,931	47.53
2016-17	1,472.45	1,291.50	905.58	2,081.40	5,750.93	5,931	47.53
2017-18	1,522.10	1,249.35	941.21	1,983.03	5,695.69	5,831	50.95
2018-19	1,439.09	1,220.01	909.42	1,943.84	5,512.36	5,636	47.41
2019-20 ⁽³⁾	1,438.28	1,220.80	909.49	1,947.52	5,516.09	5,616	48.02

⁽¹⁾ Except for fiscal year 2019-20, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period on instruction beginning the first day of school for a particular school district.

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

⁽³⁾ Budgeted.

Source: Temple City Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementation period of the LCFF. The District does not qualify for the ERT add-on.

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

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

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

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

into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District’s programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees (as discussed below), redevelopment revenues, foundation revenues, and other local sources.

Developer Fees. The District currently collects developer fees on residential and commercial development within the District pursuant to Education Code Section 17620. Developer fees are used to finance the construction of school facilities. The District maintains a fund, separate and apart from the general fund, to account for developer fees. The table below shows developer fee collections for the past eight fiscal years, and a budgeted amount for the current fiscal year.

**DEVELOPER FEE COLLECTIONS
Fiscal Years 2011-12 through 2019-20
Temple City Unified School District**

<u>Fiscal Year</u>	<u>Total Developer Fees</u>
2011-12	\$267,476.46
2012-13	427,016.95
2013-14	752,204.26
2014-15	560,464.80
2015-16	738,721.08
2016-17	611,724.53
2017-18	484,735.70
2018-19	512,802.55
2019-20 ⁽¹⁾	310,000.00

⁽¹⁾ Budgeted.
Source: Temple City Unified School District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of

the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2016, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 9700 Las Tunas Drive, Temple City California, 91780, telephone: (626) 548-5000. The audited financial statements for the year ended June 30, 2016, are included in APPENDIX B hereto.

For fiscal years ended June 30, 2003 and later, the District has implemented Governmental Accounting Standards Board (“GASB”) Statements Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. While historical total revenue and expenditures figures are comparably consistent to prior years, the breakdown of revenues and expenditures follows functional categories rather than object-oriented categories. The tables on the following pages reflect the District’s audited general fund revenues, expenditures and fund balances from fiscal year 2013-14 through fiscal year 2017-18 under the revised reporting format. Due to a change in the auditor and the resulting change in reporting format, fiscal year 2015-16 through 2017-18 are presented separately from fiscal years 2013-14 and 2014-15.

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**AUDITED GENERAL FUND REVENUES, EXPENDITURES
AND FUND BALANCES – GENERAL FUND
Fiscal Years 2013-14 and 2014-15
Temple City Unified School District**

	<u>Audited 2013-14</u>	<u>Audited 2014-15</u>
REVENUES		
LCFF sources		
State Apportionment	\$22,887,561	\$25,274,228
Education Protection Accounts Funds	6,454,595	8,172,374
Local Sources	6,946,626	7,950,998
Federal Sources	2,235,123	2,291,886
Other State Sources	3,087,686	3,246,501
Other Local Sources	<u>5,955,083</u>	<u>6,393,299</u>
Total Revenues	47,566,674	53,329,286
EXPENDITURES		
Certificated Salaries	23,890,425	25,256,656
Classified Salaries	7,187,732	7,968,446
Employee Benefits	7,659,133	9,806,672
Books & Supplies	1,671,156	2,283,165
Services & Other Operating Expenses	4,650,841	4,930,097
Capital Outlay	257,576	60,995
Other Outgo ⁽¹⁾	630,667	435,688
Debt Service	<u>26,473</u>	<u>13,237</u>
Total Expenditures	45,974,003	50,754,956
Excess (Deficiency) of Revenues Over Expenditures	1,592,671	2,574,330
Other Financing Sources (Uses)		
Transfers In	--	--
Transfers Out	--	<u>(950,033)</u>
Total Other Financing Sources (Uses)	--	<u>(950,033)</u>
NET CHANGE IN FUND BALANCES	1,592,671	1,624,297
Fund Balance – Beginning	<u>9,868,117</u>	<u>11,460,788</u>
Fund Balance – Ending	<u>\$11,460,788</u>	<u>\$13,085,085</u>

⁽¹⁾ Includes Indirect Costs.

Source: Temple City Unified School District

**AUDITED GENERAL FUND REVENUES, EXPENDITURES
AND FUND BALANCES – GENERAL FUND
Fiscal Years 2015-16 through 2017-18
Temple City Unified School District**

	Audited <u>2015-16</u>	Audited <u>2016-17</u>	Audited <u>2017-18</u>
REVENUES:			
LCFF/Revenue Limit Sources	\$44,906,929	\$48,938,692	\$50,042,251
Federal Sources	2,336,037	2,240,274	2,248,807
Other State Sources	7,448,764	6,153,721	5,122,079
Other Local Sources	<u>4,093,343</u>	<u>4,282,390</u>	<u>6,618,918</u>
Total Revenues	58,785,073	61,615,077	64,032,055
EXPENDITURES:			
Current Expenses:			
Instruction	35,415,054	38,065,260	38,243,467
Instruction Related Activities:			
Supervision of Instruction	965,210	1,600,304	1,489,985
Instructional Library, Media & Technology	664,599	672,706	712,575
School Site Administration	3,320,246	3,256,348	3,535,276
Pupil Services:			
Home-to-School Transportation	742,338	586,422	593,433
Food Services	--	--	--
All Other Pupil Services	2,715,632	3,017,585	3,434,571
Administration:			
Data Processing	1,097,587	2,733,372	1,412,606
All Other Administration	2,815,503	2,858,979	3,411,134
Plant Services	5,075,490	5,348,776	5,637,219
Facility Acquisition & Construction	231,267	-	-
Ancillary Services	46,431	135,623	111,779
Community Services	1,024	-	-
Other Outgo	115,670	12,465	1,345,945
Enterprise Services	477,460	393,495	326,141
Debt Service			
Principal	286,331	291,402	219,422
Interest and Other	<u>130,904</u>	<u>121,263</u>	<u>113,151</u>
Total Expenditures	54,100,746	59,094,000	60,586,704
Excess (Deficiency) of Revenues Over Expenditures	4,684,327	2,521,077	3,445,351
OTHER FINANCING SOURCES (USES)			
Transfers in	--	--	--
Other sources	--	--	--
Transfers out	--	<u>(1,300,000)</u>	<u>(2,911,819)</u>
Net Financing Sources (Uses)	--	<u>(1,300,000)</u>	<u>(2,911,819)</u>
NET CHANGE IN FUND BALANCES	4,684,327	1,221,077	533,532
Fund Balance - Beginning	<u>13,085,085</u>	<u>17,769,412</u>	<u>18,990,489</u>
Fund Balance - Ending	<u>\$17,769,412</u>	<u>\$18,990,489</u>	<u>\$19,524,021</u>

Source: Temple City Unified School District

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Budget Process

State Budgeting Requirements. State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

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

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200. In the last ten years, the District has not had a "qualified" certification of an Interim Financial Report.

Recent Budgeting Trends. The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20 and audited actuals for the fiscal years 2015-16 through 2017-18 and unaudited actuals for fiscal year 2018-19, are set forth on the following page.

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GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20
Temple City Unified School District

REVENUES	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
	Budgeted ⁽¹⁾	Actual ⁽¹⁾	Budgeted ⁽¹⁾	Actual ⁽¹⁾	Budgeted ⁽¹⁾	Actual ⁽¹⁾	Budgeted ⁽²⁾	Unaudited ⁽³⁾	Budgeted ⁽³⁾
LCFF Sources:	\$45,108,121	\$44,906,929	\$47,255,028	\$48,938,692	\$48,220,173	\$50,042,251	\$52,674,239	\$53,258,168	\$52,924,068
Federal Revenue	2,355,653	2,336,037	2,178,306	2,240,274	2,236,946	2,248,807	2,068,265	2,854,696	2,287,096
Other State Revenue	5,094,541	7,448,764	3,368,838	6,153,721	1,985,235	5,122,079	3,614,570	3,588,432	1,678,610
Other Local Revenue	<u>3,736,954</u>	<u>4,093,343</u>	<u>3,543,298</u>	<u>4,282,390</u>	<u>3,899,653</u>	<u>6,618,918</u>	<u>3,646,979</u>	<u>5,933,579</u>	<u>5,227,486</u>
Total Revenues	<u>56,295,269</u>	<u>58,785,073</u>	<u>56,345,470</u>	<u>61,615,077</u>	<u>56,342,007</u>	<u>64,032,055</u>	<u>62,004,053</u>	<u>65,634,875</u>	<u>62,117,260</u>
EXPENDITURES									
Certificated Salaries	26,196,914	26,469,054	27,351,755	27,342,311	27,691,350	27,639,275	28,595,827	28,349,880	28,345,061
Classified Salaries	7,857,834	8,404,159	8,209,766	9,236,386	9,056,013	9,193,800	9,213,742	9,750,813	9,570,609
Employee Benefits	9,924,830	11,155,055	10,935,320	12,518,186	11,615,703	13,588,950	13,026,959	12,641,844	13,036,583
Books and Supplies	2,088,725	2,023,283	2,734,516	3,125,170	1,746,629	1,746,831	1,500,403	1,996,391	1,176,981
Contracted Services and Other									
Operating Expenditures	5,182,868	5,154,544	5,093,393	6,266,838	6,955,029	6,808,320	6,799,118	6,893,893	6,676,508
Capital Outlay	7,300	463,272	7,300	281,116	7,300	85,684	49,015	20,370	9,000
Other Outgo (excluding Transfers of Indirect Costs) ⁽⁴⁾	173,652	14,144	310,400	(88,672)	213,716	1,191,271	382,704	1,700,195	1,758,834
Other Outgo – Transfers of Indirect Costs	--	--	--	--	--	--	(117,833)	(107,174)	(133,681)
Debt Service									
Principal	--	417,235	--	291,402	--	219,422	--	--	--
Interest	--	--	--	<u>121,263</u>	--	<u>113,151</u>	--	--	--
Total Expenditures	<u>51,432,123</u>	<u>54,100,746</u>	<u>54,642,450</u>	<u>59,094,000</u>	<u>57,285,740</u>	<u>60,586,704</u>	<u>59,449,935</u>	<u>61,246,211</u>	<u>60,439,895</u>
Excess (Deficiency) of Revenues Over Expenditures	4,863,146	4,684,327	1,703,020	2,521,077	(943,733)	3,445,351	2,554,118	4,388,664	1,677,365
Other Financing Sources/ (Uses)									
Transfers In	--	--	--	--	--	--	--	--	--
Transfers Out	<u>(250,000)</u>	--	<u>(250,000)</u>	<u>(1,300,000)</u>	<u>(250,000)</u>	<u>(2,911,819)</u>	<u>(1,517,913)</u>	<u>(2,087,387)</u>	<u>(1,677,365)</u>
Net Financing Sources (Uses)	<u>(250,000)</u>	--	<u>(250,000)</u>	<u>(1,300,000)</u>	<u>(250,000)</u>	<u>(2,911,819)</u>	<u>(1,517,913)</u>	<u>(2,087,387)</u>	<u>(1,677,365)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	4,613,146	4,684,327	1,453,020	1,221,077	(1,193,733)	533,532	1,036,205	2,301,277	--
Beginning Fund Balance									
As of July 1 - Unaudited	13,085,085	13,085,085	17,769,412	17,769,412	18,990,489	18,990,489	17,007,221 ⁽⁵⁾	17,007,221 ⁽⁵⁾	20,833,859 ⁽⁵⁾
Audit Adjustments	--	--	--	--	--	--	--	977,448 ⁽⁶⁾	--
Other Restatements	--	--	--	--	--	--	--	547,914 ⁽⁶⁾	--
Adjusted Beginning Balance	<u>13,085,085</u>	<u>13,085,085</u>	<u>17,769,412</u>	<u>17,769,412</u>	<u>18,990,489</u>	<u>18,990,489</u>	<u>17,007,221</u>	<u>18,532,582</u>	<u>20,833,859</u>
Ending Balance, June 30	<u>\$17,698,231</u>	<u>\$17,769,412</u>	<u>\$19,222,432</u>	<u>\$18,990,489</u>	<u>\$17,796,756</u>	<u>\$19,524,021</u>	<u>\$18,043,426</u>	<u>\$20,833,859</u>	<u>\$20,833,859</u>

⁽¹⁾ From the District's audited financial statements from each respective fiscal year. For audited results for these fiscal years in revised reporting format, see "Comparative Financial Statements" herein.

⁽²⁾ From the District's First Interim Financial Report for fiscal year 2016-17 approved by the Board on March 13, 2019.

⁽³⁾ From the District's Unaudited Actuals for fiscal year 2018-19 approved by the Board on September 11, 2019.

⁽⁴⁾ For fiscal years 2015-16 through 2017-18, the categories Other Outgo (excluding Transfers of Indirect Costs) and Other Outgo (Transfers of Indirect Costs) were combined.

⁽⁵⁾ Beginning fund balance does not include the financial activity of the Special Reserve Fund for Post-Employment Benefits, which have been included in the figures presented in fiscal years 2015-16 through 2017-18 in this table and under "Comparative Financial Statements" herein, accordance with the fund type definitions promulgated by GASB Statement No. 54.

⁽⁶⁾ The audit adjustments and restatements made in the 2018-19 unaudited actuals reflect property tax revenues related to apportionment funding the District was entitled to receive in prior fiscal years.

Source: Temple City Unified School District.

State Budget Measures

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

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

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

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

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "State Funding of Education – Local Control Funding Formula" herein.
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.
- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to STRS and PERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21.

With these payments, STRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The PERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected PERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability. See also "TEMPLE CITY UNIFIED SCHOOL DISTRICT – District Retirement Systems" herein.

- *After School Programs* - \$50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.
- *Teacher Support* - \$43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes \$89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.
- *Broadband Infrastructure* - \$7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.
- *Full-Day Kindergarten* - \$300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.
- *Wildfire-Related Cost Adjustments* – An increase of \$2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

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

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

Introduction

The District was established as a unified school district on July 1, 1954. The District is located in the West San Gabriel Valley, approximately five miles southeast of Pasadena and 13 miles northeast of downtown Los Angeles, approximately 23 miles northeast of Los Angeles International Airport and 20 miles southeast of Burbank/Glendale/Pasadena Airport. The District encompasses an area of approximately 3.986 square miles and includes within its boundaries the incorporated City of Temple City, as well as small portions of the cities of San Gabriel and Arcadia and some unincorporated areas of the County. The District maintains one comprehensive high school, one alternative school, one intermediate school, four elementary schools, and an adult education school and serves a population of approximately 35,000. For fiscal year 2019-20, the District's budgeted average daily attendance ("ADA") is 5,516 students, and taxable property within the District has an assessed valuation of \$5,358,795,528.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Temple City Unified School District, Attention: Superintendent, 9700 Las Tunas Drive, Temple City California, 91780.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their offices and the dates their term expires, are listed below:

BOARD OF EDUCATION Temple City Unified School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Donna Georgino	President	November 2022
Kenneth Knollenberg	Vice President	November 2020
Dr. Mike Lin	Clerk	November 2022
Melissa Espinoza	Member	November 2020
Matt Smith	Member	November 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board of Education. Brief biographies of the Superintendent and the Chief Business Official follow:

Kimberly Fricker, Ed.D., Superintendent. Dr. Fricker was appointed as Superintendent of the District in January of 2019. Dr. Fricker previously served as the Assistant Superintendent, Educational Services and the Executive Director of the Palos Verdes Peninsula Unified School District since July of

2015. In her 22 year career in education, Dr. Fricker has also served as a High School Principal in the Orange Unified School District, and Assistant Principal, Guidance Counselor and Science Teacher in the Huntington Beach Union High School District. Dr. Fricker received her Bachelors of Science Degree in Clinical Laboratory Science from Michigan Technological University, her Masters of Counseling from Wayne State University, and the Doctor of Education in Educational Leadership from the University of Southern California.

Marianne Sarrail, Chief Business Official. Ms. Sarrail was appointed the Chief Business Official of the District in October of 2014. Ms. Sarrail previously served the District in the capacities of Interim Chief Business Official and Director of Fiscal Services. Prior to joining the District, Ms. Sarrail worked in private industry for 27 years in the different capacities, including, Chief Finance Officer, Regional Operations Controller and Controller. Ms. Sarrail received her Bachelors Degree in accounting and a Masters of Business Administration, Business Management from the University of La Verne.

Enrollment Trends

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 for grades K-3, 32:1 in grades 4-6 and 34:1 in grades 7-8 and 34:1 in grades 9-12. The following table shows enrollment figures for the District for the past 12 fiscal years.

ENROLLMENT TRENDS
Fiscal Years 2007-08 through 2019-20
Temple City Unified School District

<u>Fiscal Year</u>	<u>Enrollment</u> ⁽¹⁾	<u>% Change</u>
2007-08	5,617	--
2008-09	5,477	(2.49)%
2009-10	5,522	0.82
2010-11	5,637	2.08
2011-12	5,734	1.72
2012-13	5,827	1.62
2013-14	6,000	2.97
2014-15	5,930	(1.17)
2015-16	5,931	0.02
2016-17	5,931	0.00
2017-18	5,831	(1.69)
2018-19	5,636	(3.34)
2019-20	5,616	(0.35)

⁽¹⁾ Enrollment for years prior to fiscal 2013-14 is as of October CBEDS report. Fiscal years 2013-14 through 2019-20 certified enrollment as of the fall census day (the first Wednesday in October) reported to CALPADS. See also “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.

Source: Temple City Unified School District.

Labor Relations

The District currently employs 304 full-time and part-time certificated employees and 262 classified employees. These employees, except management and some part-time employees, are represented by the three bargaining units as noted below:

BARGAINING UNITS
Temple City Unified School District

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
Temple City Education Association	272	June 30, 2019 ⁽¹⁾
California School Employees Association - 105	146	June 30, 2019 ⁽¹⁾
California School Employees Association – 823	84	June 30, 2019 ⁽¹⁾

⁽¹⁾ Members of each bargaining unit are working under the terms of their expired contracts.
Source: Temple City Unified School District.

District Retirement Systems

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

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

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

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

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

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

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of

employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. For more information see "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contributions to STRS were \$1,751,710 in fiscal year 2011-12, \$1,738,482 in fiscal year 2012-13, \$1,960,411 in fiscal year 2013-14, \$2,228,412 in fiscal year 2014-15, \$2,768,002 in fiscal year 2015-16, \$3,240,491 in fiscal year 2016-17, \$3,973,891 for fiscal year 2017-18, and \$4,556,479 (unaudited) for fiscal year 2018-19. The District has budgeted a contribution of \$4,733,628 to STRS for fiscal year 2019-20.

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

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay

in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. For more information see “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contributions to PERS were \$735,741 in fiscal year 2011-12, \$762,628 in fiscal year 2012-13, \$844,687 in fiscal year 2013-14, \$944,155 in fiscal year 2014-15, \$960,154 in fiscal year 2015-16, \$1,177,850 in fiscal year 2016-17, \$1,642,885 for fiscal year 2017-18, and \$1,615,770 (unaudited) for fiscal year 2018-19. The District has budgeted a contribution of \$1,934,578 to PERS for fiscal year 2019-20.

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

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

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

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

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

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

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

(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

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

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

rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

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

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

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

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

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in

the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other

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

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

As of June 30, 2018, the District reported its shares of the net pension liabilities for the STRS and PERS plans as \$46,687,172 and \$16,600,384, respectively. For more information, see “—District Debt Structure” and “APPENDIX B –2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12.

Other Post-Employment Benefits

Benefits Plan. The District’s health care plan (the “Plan”) is a single-employer defined benefit healthcare plan. Following is a description of the current retiree benefit plan

	<u>Certificated*</u>	<u>Classified*</u>
Benefit types provided	Medical, dental, and vision	Medical, dental, and vision
Duration of Benefits	5 years, but not beyond age 65 for benefits in excess of CalPERS statutory	Lifetime
Required Service	10 years	15 years
Minimum Age	55	55 ^{***}
Dependent Coverage	Yes	Yes
District Contribution	100% to cap	100% to cap for 5 years but not beyond age 65 ^{***} 25% of \$625 plus 5% per year in subsequent years for coverage beyond 5 years (or age 65)
District Cap	Active cap*	\$8250 per year**

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

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

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

Source: Temple City Unified School District.

Funding Policy. The contribution requirement of Plan members and the District are established under a funding policy approved by the District’s Board, and may be amended by the District from time to time. The District’s funding policy is to contribute an amount sufficient to pay the current year’s retiree claim costs and plan expenses. For Fiscal Year 2013-14, the District paid \$198,893 to the Plan, all of which was used for current premiums. For Fiscal Year 2014-15, the District paid \$221,253 to the Plan, all of which was used for current premiums. For Fiscal Year 2015-16, the District paid \$304,097 to the Plan, all of which were used for current premiums. For Fiscal Year 2016-17, the District paid \$393,495 to the Plan, all of which were used for current premiums. For Fiscal Year 2017-18, the District paid \$326,141 to the Plan, all of which were used for current premiums. For Fiscal Year 2018-19, the District paid \$213,937 to the Plan, all of which were used for current premiums. For fiscal year 2019-20, the District has budgeted a contribution of \$380,000 to the Plan, all of which are expected to be used for current premiums. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions 74*) and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed above) require biennial actuarial valuations for all plans. The actuarial study, dated as of January 31, 2018, (the “Study”), concluded that, as of June 30, 2017, the Total OPEB Liability (the “TOL”) with respect to such benefits, was \$21,129,429, the Net OPEB Liability (the “NOL”) was \$21,129,429, and the preliminary Total OPEB Expense (the “TOE”) for fiscal year ending June 30, 2018 to be \$2,036,324. The District has a Fiduciary Net Position (the “FNP”) of \$0. The TOL is the amount of the actuarial present value of projected

benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B –2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 1" attached hereto.

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

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

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District first recognized GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time. See also "APPENDIX B –2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

Medicare Premium Payment Program

The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). 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 Defined Benefit Program ("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 MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study, with measurement and valuation dates of June 30, 2016, has been prepared pursuant to GASB Statements No. 74 and No. 75 with respect to the liability of the MPP Program. 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 District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions relative to the projected contributions of all participating school districts, actuarially determined.

For the year ended June 30, 2018, the District recognized an MPP Program expense of (\$45,120). For additional information, see "APPENDIX B – THE DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS – Note 9" attached hereto.

Risk Management

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 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.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2018, is shown below.

**SCHEDULE OF LONG TERM DEBT
As of June 30, 2018
Temple City Unified School District**

	<u>Balance as of July 1, 2017⁽¹⁾</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance as of June 30, 2018</u>
General obligation bonds	\$99,153,510	\$1,199,263	\$2,225,000	\$98,127,773
Premium on issuance	1,605,186	--	112,010	1,493,176
Discount on issuance	--	--	--	--
Capital leases	3,579,601		219,422	3,360,179
Accumulated Vacation - net	873,744	58,997	--	932,741
Net OPEB Obligation	<u>19,915,931</u>	<u>2,036,324</u>	<u>438,313</u>	<u>21,513,942</u>
Totals	<u>\$125,127,972</u>	<u>\$3,294,584</u>	<u>\$2,994,745</u>	<u>\$125,427,811</u>

⁽¹⁾ The balance has been restated due to the implantation of GASB No. 75. For more information See “-Other Post-Employment Benefits – GASB Statement Nos. 74 and 75” herein and “APPENDIX B – THE DISTRICT’S 2017-18 AUDITED FINANCIAL STATEMENTS – Note 9” attached hereto.
Source: Temple City Unified School District.

General Obligation Bonds. The following table summarizes the outstanding prior bond issuances of the District, not including the Bonds.

**SUMMARY OF OUTSTANDING BONDED DEBT
Temple City Unified School District**

<u>Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Outstanding⁽¹⁾</u>	<u>Date of Delivery</u>
Election of 1998 General Obligation Bonds, Series B	\$5,406,500.80	\$4,288,283.30	September 6, 2001
2005 General Obligation Refunding Bonds	12,745,000.00	6,780,000.00	August 11, 2005
Election of 2012 General Obligation Bonds, Series A	39,998,164.35	21,915,863.10	August 7, 2013
Election of 2012 General Obligation Bonds, Series B	33,457,588.30	33,432,588.30	February 14, 2017
2017 General Obligation Refunding Bonds	<u>19,745,000</u>	<u>19,720,000.00</u>	February 14, 2017
Totals	<u>\$111,352,253.45</u>	<u>\$86,136,734.70</u>	

⁽¹⁾ As of August 1, 2019.
Source: Temple City Unified School District.

The following table shows future debt service payments on the District’s outstanding general obligation bonds, including the Bonds (and assuming no optional redemptions).

OUTSTANDING BONDED INDEBTEDNESS*
Temple City Unified School District

Year Ending (August 1)	Election of 1998 General Obligation Bonds, Series B	2005 General Obligation Refunding Bonds	Election of 2012 General Obligation Bonds, Series A⁽¹⁾	2012 Series B Bonds	2017 Refunding Bonds	2012 Series C Bonds	Refunding Bonds	Total Annual Debt Service
2020	\$150,000.00	\$2,355,950.00	\$1,012,500.00	\$1,203,600.00	\$796,412.50			
2021	150,000.00	2,470,950.00	1,105,000.00	1,238,600.00	796,412.50			
2022	150,000.00	2,694,400.00	1,187,500.00	1,287,550.00	796,412.50			
2023	175,000.00	--	1,280,250.00	1,335,000.00	796,412.50			
2024	2,925,000.00	--	1,233,196.50	1,524,600.00	796,412.50			
2025	3,050,000.00	--	1,233,196.50	1,678,100.00	796,412.50			
2026	3,200,000.00	--	1,233,196.50	1,563,100.00	1,066,412.50			
2027	3,365,000.00	--	1,673,196.50	1,572,600.00	785,612.50			
2028	3,550,000.00	--	1,893,196.50	1,522,600.00	785,612.50			
2029	--	--	2,083,196.50	1,512,600.00	785,612.50			
2030	--	--	1,233,196.50	1,702,600.00	1,630,612.50			
2031	--	--	1,233,196.50	1,682,600.00	1,843,362.50			
2032	--	--	1,233,196.50	1,597,600.00	2,129,362.50			
2033	--	--	1,233,196.50	1,562,600.00	2,377,162.50			
2034	--	--	3,143,196.50	1,612,600.00	637,762.50			
2035	--	--	3,428,405.50	1,557,600.00	635,406.26			
2036	--	--	3,801,802.50	1,422,600.00	638,050.00			
2037	--	--	3,677,500.00	1,797,600.00	635,425.00			
2038	--	--	3,833,750.00	1,897,600.00	637,800.00			
2039	--	--	2,000,000.00	1,792,600.00	2,849,800.00			
2040	--	--	2,125,000.00	1,797,600.00	3,003,200.00			
2041	--	--	2,340,000.00	1,832,600.00	3,046,800.00			
2042	--	--	2,640,000.00	1,527,600.00	3,359,600.00			
2043	--	--	2,520,000.00	1,801,800.00	3,525,600.00			
2044	--	--	--	7,214,400.00	--			
2045	--	--	--	7,484,400.00	--			
2046	--	--	--	7,848,800.00	--			
2047	--	--	--	7,488,000.00	--			
Total	<u>\$16,715,000.00</u>	<u>\$7,521,300.00</u>	<u>\$48,376,869.50</u>	<u>\$68,059,550.00</u>	<u>\$35,151,668.76</u>			

⁽¹⁾ Includes debt service on Refunded Bonds.
Source: Temple City Unified School District.

* Preliminary, subject to change.

Capital Leases. 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 in the District’s audited financial statements. The District’s liability on the lease agreement is summarized below:

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

The capital leases have minimum lease payments as follows:

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

Source: Temple City Unified School District.

LIMITATION ON REMEDIES; BANKRUPTCY

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the

Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

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

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

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

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

TAX MATTERS

2012 Series C Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2012 Series C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2012 Series C Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2012 Series C Bond (the first price at which a substantial amount of the 2012 Series C Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2012 Series C Bond (to the extent that the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2012 Series C Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2012 Series C Bond Owner will increase the 2012 Series C Bond Owner's basis in the applicable 2012 Series C Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the 2012 Series C Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2012 Series C Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2012 Series C Bonds to assure that interest (and original issue discount) on the 2012 Series C Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2012 Series C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2012 Series C Bonds. The District has covenanted to comply with all such requirements.

The amount by which a 2012 Series C Bond Owner's original basis for determining loss on sale or exchange in the applicable 2012 Series C Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2012 Series C Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2012 Series C Bond premium reduces the 2012 Series C Bond Owner's basis in the applicable 2012 Series C Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2012 Series C Bond premium may result in a 2012 Series C Bond Owner realizing a taxable gain when a 2012 Series C Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2012 Series C Bond to the Owner. Purchasers of the 2012 Series C Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2012 Series C Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2012 Series C Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2012 Series C Bonds might be affected as a result of such an audit of the 2012 Series C Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of

the 2012 Series C Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2012 Series C Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2012 SERIES C BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2012 SERIES C BONDS OR THE MARKET VALUE OF THE 2012 SERIES C BONDS. PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2012 SERIES C BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2012 SERIES C BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2012 SERIES C BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2012 SERIES C BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2012 SERIES C BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The New Money Resolution and the Tax Certificate relating to the 2012 Series C Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2012 Series C Bonds for federal income tax purposes with respect to any 2012 Series C Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2012 Series C Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2012 Series C Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2012 Series C Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2012 Series C Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2012 Series C Bonds.

A copy of the proposed form of opinion of Bond Counsel for the 2012 Series C Bonds is attached hereto as APPENDIX A.

Refunding Bonds. In the opinion of Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Refunding Bond (the first price at which a substantial amount of the Refunding Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Refunding Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original

issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Refunding Bond will increase the Owner's basis in the Refunding Bond. Owners of Refunding Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Refunding Bonds.

The amount by which a Refunding Bond Owner's original basis for determining loss on sale or exchange in the applicable Refunding Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Refunding Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Refunding Bond Owner's basis in the applicable Refunding Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Refunding Bond premium may result in the Owner of a Refunding Bond realizing a taxable gain when a Refunding Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Refunding Bond to the Owner. The Owners of the Refunding Bonds that have a basis in the Refunding Bonds that is greater than the principal amount of the Refunding Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

In the event of a legal defeasance of a Refunding Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Owner of a Refunding Bond generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Refunding Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the Refunding Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Refunding Bonds and the accrual or receipt of interest with respect to the Refunding Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Refunding Bonds is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after

March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to file certain notices of listed events, as required by its existing continuing disclosure undertakings.

Litigation

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

Pending Investigation Concerning Former District Employees. The District is aware of a current investigation by the Public Integrity Division of the Los Angeles County District Attorney’s Office relating to the District’s prior Superintendent and prior Assistant Superintendent of Personnel Services, whose conduct was the subject of an independent audit commissioned by the District in August, 2018, and which contributed to the departure of those District officials. In particular, the audit examined a construction project that was executed without satisfying the requirements of the Public Contract Code for the bidding of such projects, as well as costs related to certain furniture and technology acquisitions that exceeded the Board approved budget. The District can make no representation about the ultimate scope of the investigation proceedings or the completion date or outcome of such proceedings.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 15, 2018 of Vavrinek, Trine, Day & Co., LLP (the “Auditor”), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

The Bonds have been assigned a rating of “AA-” by S&P. The rating reflects only the view of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor’s, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any rating changes on the Bonds. See “APPENDIX C - FORM OF CONTINUING DISCLOSURE FOR THE BONDS” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Purchase of Bonds. Raymond James & Associates, Inc. (the “Underwriter”) has agreed, pursuant to a purchase contract (the “2012 Series C Purchase Contract”) by and between the District and the Underwriter, to purchase all of the 2012 Series C Bonds for a purchase price of \$ _____ (consisting of the principal amount thereof, plus original issue premium of \$ _____, and less the Underwriter’s discount of \$ _____). The Underwriter has further agreed pursuant to a purchase contract (the “Refunding Purchase Contract”, and together with the 2012 Series C Purchase Contract, the “Purchase Contracts”) to purchase all of the Refunding Bonds for a purchase price of \$ _____ (consisting of the principal amount thereof, plus original issue premium of \$ _____, and less the Underwriter’s discount of \$ _____).

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

Additional Information

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

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

By: _____
Kimberly Fricker, Ed.D.
Superintendent

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS

Upon issuance and delivery of the 2012 Series C Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect thereto substantially in the following form:

_____, 2019

Board of Education
Temple City Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Temple City Unified School District Election of 2012 General Obligation Bonds, Series C (Federally Tax-Exempt) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution (the “Resolution”) of the Board of Education of the District, commencing with Section 53506 et seq., and a fifty-five percent vote of the qualified electors of the Temple City Unified School District (the “District”) voting at an election held on November 6, 2012.
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds (to the extent that the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner’s basis in the

applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted

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

_____, 2019

Board of Education
Temple City Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Temple City Unified School District, 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution (the “Resolution”) of the Board of Education of the Temple City Unified School District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.

Except as expressly set forth in paragraphs (3), (4), and (5), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any

person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

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

Respectfully submitted,

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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**TEMPLE CITY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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TEMPLE CITY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

VALUE THE *difference*

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.

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.

Varrinck, Tui, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018



TEMPLE CITY UNIFIED SCHOOL DISTRICT

Committed to 21st Century Academic Excellence

Board of Education Members

Vinson Bell • George M. Goid • Louise Huff • Kenneth Knollenberg • Lawrence A. Marston

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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).

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Net Pension Liability (NPL)

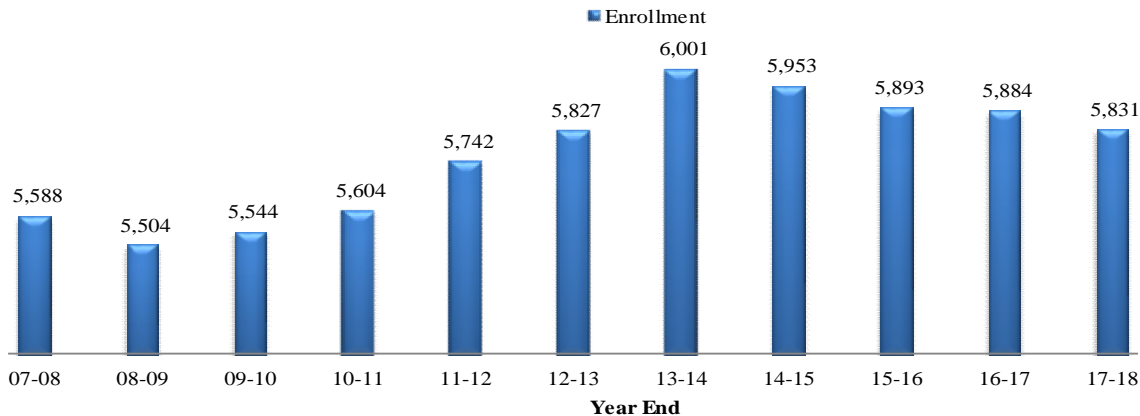
At year-end, the District had a pension liability of \$63,287,556, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

<u>Grade Span</u>	<u>2017-2018 Base Grant</u>
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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	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	<u>140,984,305</u>	<u>141,109,396</u>
Deferred Outflows of Resources	<u>23,677,474</u>	<u>16,107,147</u>
Liabilities		
Current liabilities	7,214,122	8,683,051
Long-term obligations	125,427,811	125,127,972
Aggregate net pension liability	<u>63,287,556</u>	<u>55,124,692</u>
Total Liabilities	<u>195,929,489</u>	<u>188,935,715</u>
Deferred Inflows of Resources	<u>5,346,212</u>	<u>4,357,769</u>
Net Position		
Net investment in capital assets	18,742,072	16,939,845
Restricted	6,966,047	8,165,731
Unrestricted	<u>(62,322,041)</u>	<u>(61,182,517)</u>
Total Net Position (deficit)	<u>\$ (36,613,922)</u>	<u>\$ (36,076,941)</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
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	<u>74,147,498</u>	<u>69,727,290</u>
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	<u>74,684,479</u>	<u>73,522,765</u>
Change in Net Position	<u>\$ (536,981)</u>	<u>\$ (3,795,475)</u>

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

- 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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

- 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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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	
	2018	(As Restated) 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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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	<u>(33,529,340)</u>
Total Capital Assets	<u>89,714,983</u>
Total Assets	<u>140,984,305</u>
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	<u>326,141</u>
Total Deferred Outflows of Resources	<u>23,677,474</u>
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	<u>123,379,578</u>
Total Long-Term Obligations	<u>125,427,811</u>
Aggregate net pension liability	<u>63,287,556</u>
Total Liabilities	<u>195,929,489</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>5,346,212</u>
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	<u>(62,322,041)</u>
Total Net Position	<u>\$ (36,613,922)</u>

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

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				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:				
				12,579,504
				5,069,888
				42,497
				38,619,789
				733,731
				6,604,018
				<u>63,649,427</u>
				(536,981)
				(23,863,590)
				(12,213,351)
				(36,076,941)
				<u>\$ (36,613,922)</u>

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	<u>\$ 24,177,026</u>	<u>\$ 19,731,348</u>	<u>\$ 7,360,948</u>	<u>\$ 51,269,322</u>
BALANCES				
Liabilities:				
Accounts payable	\$ 4,439,572	\$ 699,272	\$ 460,481	\$ 5,599,325
Unearned revenue	213,433	-	17,983	231,416
Total Liabilities	<u>4,653,005</u>	<u>699,272</u>	<u>478,464</u>	<u>5,830,741</u>
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	<u>19,524,021</u>	<u>19,032,076</u>	<u>6,882,484</u>	<u>45,438,581</u>
Total Liabilities and Fund Balances	<u>\$ 24,177,026</u>	<u>\$ 19,731,348</u>	<u>\$ 7,360,948</u>	<u>\$ 51,269,322</u>

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:	<u>(33,529,340)</u>	
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	<u>11,074,091</u>	
Total Deferred Outflows of Resources Related to Pensions		19,746,495

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, 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	<u>(195,449)</u>	
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:	<u>(9,371,303)</u>	
Total Long-Term Obligations		<u>(125,427,811)</u>
Total Net Position - Governmental Activities		<u><u>\$ (36,613,922)</u></u>

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**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
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	<u>64,032,055</u>	<u>397,354</u>	<u>8,929,134</u>	<u>73,358,543</u>
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	<u>60,586,704</u>	<u>14,024,942</u>	<u>10,208,574</u>	<u>84,820,220</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,445,351</u>	<u>(13,627,588)</u>	<u>(1,279,440)</u>	<u>(11,461,677)</u>
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)	<u>(2,911,819)</u>	<u>1,170,061</u>	<u>1,741,758</u>	<u>-</u>
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	<u>\$ 19,524,021</u>	<u>\$ 19,032,076</u>	<u>\$ 6,882,484</u>	<u>\$ 45,438,581</u>

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	<u>(1,540,653)</u>	
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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 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	<u>(177,439)</u>	
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.

		<u>(1,248,768)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (536,981)</u></u>

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**

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

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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).

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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	<u>388,265</u>
Total Deposits and Investments	<u>\$ 49,840,558</u>

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	<u>49,006,269</u>
Total Deposits and Investments	<u>\$ 49,840,558</u>

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:

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2018</u>	<u>Fair Value</u>
Los Angeles County Investment Pool	Not Required	Not Required	<u>\$ 48,349,781</u>

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 48,349,781</u>	<u>\$ 48,349,781</u>

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.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
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	<u>\$ 1,200,294</u>	<u>\$ 115,373</u>	<u>\$ 189,867</u>	<u>\$ 1,505,534</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	<u>\$ 76,859,963</u>	<u>\$ 13,815,881</u>	<u>\$ 960,861</u>	<u>\$ 89,714,983</u>

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	<u>\$ 1,540,653</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

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

NOTE 7 - ACCOUNTS PAYABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
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	<u>\$ 4,439,572</u>	<u>\$ 699,272</u>	<u>\$ 460,481</u>	<u>\$ 5,599,325</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	<u>\$ 213,433</u>	<u>\$ 17,983</u>	<u>\$ 231,416</u>

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	<u>\$ 125,127,972</u>	<u>\$ 3,294,584</u>	<u>\$ 2,994,745</u>	<u>\$ 125,427,811</u>	<u>\$ 2,048,233</u>

- 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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

General Obligation Bonds Summary

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2017	Issued	Accreted	Redeemed	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
			<u>\$ 129,945,503</u>	<u>\$ 99,153,510</u>	<u>\$ -</u>	<u>\$ 1,199,263</u>	<u>\$ 2,225,000</u>	<u>\$ 98,127,773</u>

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	Accreted Interest	Total
	Interest to Date	to Maturity	
2019	<u>\$ 1,511,124</u>	<u>\$ 23,876</u>	<u>\$ 1,535,000</u>

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
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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	<u>\$ 10,989,025</u>	<u>\$ 5,975,975</u>	<u>\$ 16,965,000</u>

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	<u>\$ 8,740,000</u>	<u>\$ 1,420,175</u>	<u>\$ 10,160,175</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	<u>\$ 33,680,350</u>	<u>\$ 4,029,650</u>	<u>\$ 32,181,075</u>	<u>\$ 69,891,075</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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:

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	<u>1,920,903</u>
Total	3,912,467
Less: Amount Representing Interest	552,288
Present Value of Minimum Lease Payments	<u>\$ 3,360,179</u>

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:

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

The details of each plan are as follows:

District Plan

Plan Administration

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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
	<hr/>
	668
	<hr/> <hr/>

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
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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	<u>1,643,131</u>
Balance at June 30, 2018	<u>\$ 21,129,429</u>

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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%

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
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:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	<u>30,022</u>	<u>-</u>	<u>41,681</u>	<u>71,703</u>
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	<u>2,418,053</u>	<u>19,032,076</u>	<u>5,931,375</u>	<u>27,381,504</u>
Committed				
Deferred maintenance program	-	-	905,137	905,137
Adult Education program	-	-	3,817	3,817
Total Committed	<u>-</u>	<u>-</u>	<u>908,954</u>	<u>908,954</u>
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	<u>4,458,354</u>	<u>-</u>	<u>474</u>	<u>4,458,828</u>
Unassigned				
Economic uncertainties	3,000,777	-	-	3,000,777
Remaining unassigned	9,616,815	-	-	9,616,815
Total Unassigned	<u>12,617,592</u>	<u>-</u>	<u>-</u>	<u>12,617,592</u>
Total	<u>\$ 19,524,021</u>	<u>\$ 19,032,076</u>	<u>\$ 6,882,484</u>	<u>\$ 45,438,581</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 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	<u>\$ 63,287,556</u>	<u>\$ 19,746,495</u>	<u>\$ 5,346,212</u>	<u>\$ 7,346,458</u>

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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 December 31, 2012	On or after January 1, 2013
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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	<u>\$ 74,306,909</u>

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	<u>\$ 14,207,527</u>	<u>\$ 4,793,824</u>

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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	<u>\$ (1,243,410)</u>

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

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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%

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
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>.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	<u>\$ 5,538,968</u>	<u>\$ 552,388</u>

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

The deferred outflows/(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	<u>\$ 574,260</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	<u>\$ 2,769,435</u>

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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:

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	<u>(12,213,351)</u>
Net Position - Beginning as Restated	<u>\$ (36,076,941)</u>

REQUIRED SUPPLEMENTARY INFORMATION

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative)
				Final 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	<u>56,342,007</u>	<u>59,322,347</u>	<u>64,032,055</u>	<u>4,709,708</u>
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	<u>57,285,740</u>	<u>60,715,963</u>	<u>60,586,704</u>	<u>129,259</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(943,733)</u>	<u>(1,393,616)</u>	<u>3,445,351</u>	<u>4,838,967</u>
Other Financing Sources (Uses)				
Transfers out	<u>(250,000)</u>	<u>(1,977,272)</u>	<u>(2,911,819)</u>	<u>(934,547)</u>
Net Financing Sources (Uses)	<u>(250,000)</u>	<u>(1,977,272)</u>	<u>(2,911,819)</u>	<u>(934,547)</u>
NET CHANGE IN FUND BALANCES	<u>(1,193,733)</u>	<u>(3,370,888)</u>	<u>533,532</u>	<u>3,904,420</u>
Fund Balance - Beginning	<u>18,990,489</u>	<u>18,990,489</u>	<u>18,990,489</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 17,796,756</u>	<u>\$ 15,619,601</u>	<u>\$ 19,524,021</u>	<u>\$ 3,904,420</u>

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**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

¹The 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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**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,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0914%</u>
District's proportionate share of the net OPEB liability	<u>\$ 384,513</u>
District's covered-employee payroll	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

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

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

See accompanying note to required supplementary information

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TEMPLE CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

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

See accompanying note to required supplementary information

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

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

See accompanying note to required supplementary information

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

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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			<u>1,091,888</u>
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			<u>223,327</u>
Total U.S. Department of Education			<u>2,192,246</u>
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			<u>1,077,647</u>
Total U.S. Department of Agriculture			<u>1,077,647</u>
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			<u>\$ 3,314,274</u>

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
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 Sarraill	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	<u>5,673.58</u>	<u>5,675.09</u>
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	<u>9.24</u>	<u>9.24</u>
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	<u>12.07</u>	<u>12.44</u>
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	<u>0.80</u>	<u>0.80</u>
Total ADA	<u><u>5,695.69</u></u>	<u><u>5,697.57</u></u>

See accompanying note to supplementary information.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
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.

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

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)	(As Restated)		
	2019 ¹	2018	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.

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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
<u>\$ 960,251</u>	<u>\$ 1,051,350</u>	<u>\$ 474</u>	<u>\$ 3,670,533</u>	<u>\$ 7,360,948</u>
\$ 55,114	\$ 422	\$ -	\$ -	\$ 460,481
-	-	-	-	17,983
<u>55,114</u>	<u>422</u>	<u>-</u>	<u>-</u>	<u>478,464</u>
-	-	-	-	41,681
-	1,050,928	-	3,670,533	5,931,375
905,137	-	-	-	908,954
-	-	474	-	474
<u>905,137</u>	<u>1,050,928</u>	<u>474</u>	<u>3,670,533</u>	<u>6,882,484</u>
<u>\$ 960,251</u>	<u>\$ 1,051,350</u>	<u>\$ 474</u>	<u>\$ 3,670,533</u>	<u>\$ 7,360,948</u>

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	<u>344,796</u>	<u>993,186</u>	<u>1,994,705</u>
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	<u>17,454</u>	<u>765,003</u>	<u>2,254,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>327,342</u>	<u>228,183</u>	<u>(260,262)</u>
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	<u>\$ 500,879</u>	<u>\$ 250,142</u>	<u>\$ 504,391</u>

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
<u>371</u>	<u>484,736</u>	<u>8</u>	<u>5,111,332</u>	<u>8,929,134</u>
-	-	-	-	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
<u>1,120,490</u>	<u>564,952</u>	<u>-</u>	<u>5,485,708</u>	<u>10,208,574</u>
<u>(1,120,119)</u>	<u>(80,216)</u>	<u>8</u>	<u>(374,376)</u>	<u>(1,279,440)</u>
<u>1,741,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,758</u>
621,639	(80,216)	8	(374,376)	462,318
283,498	1,131,144	466	4,044,909	6,420,166
<u>\$ 905,137</u>	<u>\$ 1,050,928</u>	<u>\$ 474</u>	<u>\$ 3,670,533</u>	<u>\$ 6,882,484</u>

TEMPLE CITY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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



**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.

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.

Vannink, Tui, 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.

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.

Varrinck, Tui, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018



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

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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.

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:

	<u>Procedures Performed</u>
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	No, see below

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.

Vannink, Tai, 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:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.173A	<u>Special Education Cluster</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program/s which was qualified:	
<u>Name of Program</u>	
<u>Instructional Materials</u>	

TEMPLE CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

None reported.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
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.

TEMPLE CITY UNIFIED SCHOOL DISTRICT

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

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.

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.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
October 15, 2018

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Temple City Unified School District (the “District”) in connection with the issuance of \$ _____ of the District’s Election of 2012 General Obligation Bonds, Series C (Federally Tax-Exempt) and \$ _____ of the District’s 2019 General Obligation Refunding Bonds (Federally Taxable) (collectively, the “Bonds”). The Bonds are being issued pursuant to Resolutions of the District dated October 23, 2019. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially KeyAnalytics, a division of California Financial Services, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means that certain official statement, dated _____, 2019, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository, no later than the date required in subsection (a) in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) state funding received by the District as of the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;

- (c) outstanding District indebtedness, as of the last completed fiscal year;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed valuations of taxable property within the District for the current fiscal year;
- (f) Secured tax charges and delinquency information for the District for the prior fiscal year, so long as the Teeter Plan is not in effect.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give

notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2019

TEMPLE CITY UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: TEMPLE CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2012 General Obligation Bonds, Series C (Federally Tax-Exempt)
2019 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

TEMPLE CITY UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR TEMPLE CITY AND LOS ANGELES COUNTY

The District encompasses the City of Temple City (the “City”) and Los Angeles County (the “County”). The following economic data for the City and County are presented for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt or obligation of the City or County. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

City of Temple City. Temple City is located in the West San Gabriel Valley, approximately five miles southeast of Pasadena and 13 miles northeast of downtown Los Angeles. Temple City was incorporated in 1960 and encompasses an area of approximately four square miles. The City operates under Council-Manager form of government. There are five council members, each of which serves a four-year term. The Mayor and Mayor Pro Tem are selected from among the council members.

Los Angeles County. The County encompasses an area of approximately 4,081 miles in southwestern California. The 88 cities within the County encompass about 35% of the County, while more than 65% of the County remains unincorporated. The County has the largest population of any county in the nation with over 10 million inhabitants as of 2016. The County is bordered on the east and the south by Orange and San Bernardino Counties, on the north by Kern County, and on the west by Ventura County and the Pacific Ocean. The five-member Board of Supervisors, created by the state Legislature in 1852, is the governing body of the County of Los Angeles.

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Population

The following table shows historical population figures for the City, the County and the State of California (the “State”) from 2010 through 2019.

POPULATION ESTIMATES
City of Temple City, Los Angeles County and State of California
2010 through 2019

<u>Year</u> ⁽¹⁾	<u>City of</u> <u>Temple City</u>	<u>Los Angeles</u> <u>County</u>	<u>State of California</u>
2010 ⁽²⁾	35,558	9,818,605	37,253,956
2011	35,727	9,885,948	37,594,781
2012	35,920	9,972,649	37,971,427
2013	36,094	10,040,960	38,321,459
2014	36,200	10,098,952	38,622,301
2015	36,257	10,155,753	38,952,462
2016	36,383	10,185,851	39,214,803
2017	36,355	10,226,920	39,504,609
2018	36,447	10,254,658	39,740,508
2019	36,583	10,253,716	39,927,315

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2010-19 (2010 DRU Benchmark): California Department of Finance for January 1.

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Income

The following table shows per capita personal income for the County, State and the United States for the past 10 years of data this is currently available.

PER CAPITA PERSONAL INCOME
2008 through 2017
Los Angeles County, State of California, and the United States

<u>Year</u>	<u>Los Angeles County</u>	<u>State of California</u>	<u>United States</u>
2008	\$43,431	\$43,895	\$40,904
2009	41,869	42,050	39,284
2010	43,569	43,609	40,545
2011	46,439	46,145	42,727
2012	49,459	48,751	44,582
2013	49,010	49,173	44,826
2014	52,130	52,237	47,025
2015	55,366	55,679	48,940
2016	56,851	57,497	49,831
2017	58,419	59,796	51,640

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2010-2017 reflect county population estimates available as of March 2018. Last updated: March 6, 2019.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following table shows the principal employers in the County by number of employees.

**PRINCIPAL EMPLOYERS
2018
County of Los Angeles**

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Los Angeles County	Government	109,881
Los Angeles Unified School District	Education	60,240
University of California, Los Angeles	Education	48,570
U.S. Government- Federal Executive Board	Government	47,200
Kaiser Permanente	Non-profit health plan	37,468
City of Los Angeles	Government	33,375
State of California	Government	30,000
University of Southern California	Private university	21,055
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services So. California	Health care	15,951
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Allied Universal	Electronic security systems	12,879
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Albertsons/Vons/Pavilions	Retail grocer	10,200
Los Angeles County MTA	Transportation	9,907
UPS	Transportation and freight	9,553
Los Angeles Department of Water & Power	Energy	9,425
California Institute of Technology	Private university	8,697
Wells Fargo	Diversified financial services	8,582
ABM Industries Inc.	Facility services, commercial cleaning	8,000
FedEx Corp.	Shipping and logistics	7,000
Los Angeles Community College District	Education	6,893
Long Beach Unified School District	Education	6,686
Bank of America Corp.	Banking and financial services	6,572
Dignity Health	Health care	6,200
Space Exploration Technologies Corp. (SpaceX)	Rockets and spacecraft	6,000
City of Hope	Treatment and research center for cancer	5,950
Raytheon	Aerospace and defense	5,800
Children's Hospital Los Angeles	Hospital	5,735
Costco	Wholesale Membership chain of stores	5,445
SoCalGas	Natural gas utility	5,400
City of Long Beach	Government	5,318
Paramount Pictures	Entertainment	5,000
Torrance Memorial Medical Center	Medical center	5,000
JPMorgan Chase & Co.	Banking and financial services	5,000
Boeing Co.	Aerospace and defense systems	5,000

Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: "2018 Book of Lists," Los Angeles Business Journal, August 27, 2018.

Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years for the City, County, State and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT 2014 through 2018⁽¹⁾

City of Temple City, Los Angeles County, the State of California, and the United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2014</u>				
City of Temple City	17,600	16,600	1,000	5.4
Los Angeles County	4,992,600	4,580,300	412,300	8.3
California	18,714,700	17,310,900	1,403,800	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of Temple City	17,600	16,900	800	4.3
Los Angeles County	4,989,800	4,659,700	330,100	6.6
California	18,851,100	17,681,800	1,169,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
City of Temple City	18,100	17,300	800	4.4
Los Angeles County	5,041,400	4,776,700	264,800	5.3
California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of Temple City	18,300	17,600	700	3.9
Los Angeles County	5,096,500	4,853,800	242,700	4.8
California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of Temple City	18,400	17,700	700	3.8
Los Angeles County	5,136,300	4,896,500	239,800	4.7
California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.

Industry

The City and County are included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “MD”). The distribution of employment in the MD is presented in the following table for the past five calendar years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the City or in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2014 through 2018

Los Angeles-Long Beach-Glendale MD

<u>Category</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	5,200	5,000	5,300	5,700	4,800
Total Nonfarm	4,192,600	4,285,800	4,394,600	4,448,300	4,510,100
Total Private	3,636,500	3,717,300	3,817,900	3,862,200	3,920,500
Goods Producing	493,100	497,300	497,100	490,300	491,600
Natural Resources and Mining	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Durable Goods	208,800	208,200	203,400	202,100	202,900
Nondurable Goods	162,700	160,000	157,400	147,700	140,800
Service Providing	3,699,500	3,788,500	3,897,400	3,958,000	4,018,500
Private Service Providing	3,143,300	3,222,000	3,320,800	3,371,900	3,428,900
Trade, Transportation and Utilities	804,500	822,200	835,600	845,700	850,900
Wholesale Trade	219,600	222,400	222,100	221,500	222,800
Retail Trade	415,700	422,200	424,600	426,100	425,300
Transportation, Warehousing and Utilities	169,300	177,600	188,900	198,200	202,800
Information	198,900	207,600	229,400	214,900	217,400
Financial Activities	211,200	215,600	219,800	221,600	223,000
Professional and Business Services	589,100	591,000	600,100	608,800	620,000
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Government	<u>556,200</u>	<u>568,500</u>	<u>576,700</u>	<u>586,100</u>	<u>589,600</u>
Total, All Industries	<u>4,197,800</u>	<u>4,290,700</u>	<u>4,399,900</u>	<u>4,454,000</u>	<u>4,514,900</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles County (Los Angeles-Long Beach-Glendale MD) Annual Average Labor Force and Industry Employment, March 2018 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2014 through 2018 are shown in the following tables.

**ANNUAL TAXABLE SALES
2014 through 2018
City of Temple City
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	481	\$146,697	713	\$162,464
2015	--	148,135	--	165,081
2016	--	151,906	--	169,343
2017	--	161,863	--	177,906
2018	--	170,528	--	187,332

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES
2014 through 2018
Los Angeles County
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	187,408	\$104,189,819	272,733	\$147,446,927
2015	--	109,094,980	--	151,981,740
2016	--	110,944,351	--	155,155,641
2017	--	114,298,560	--	160,280,130
2018	--	119,145,054	--	166,023,796

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and County are shown in the following tables.

BUILDING PERMIT VALUATIONS 2014 through 2018 City of Temple City (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$44,937	\$52,897	\$34,402	\$34,526	\$28,554
Non-Residential	<u>3,744</u>	<u>4,562</u>	<u>4,026</u>	<u>2,025</u>	<u>2,419</u>
Total	\$48,681	\$57,459	\$38,428	\$36,551	\$30,973
Units					
Single Family	73	105	82	92	74
Multiple Family	<u>153</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	226	145	82	92	74

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2014 through 2018 Los Angeles County (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$5,509,418	\$6,383,036	\$6,575,607	\$7,368,352	\$7,441,001
Non-Residential	<u>6,657,571</u>	<u>5,645,372</u>	<u>5,287,623</u>	<u>6,037,503</u>	<u>6,694,097</u>
Total	\$12,166,989	\$12,028,408	\$11,863,230	\$13,405,855	\$14,135,098
Units					
Single Family	4,358	4,487	4,780	5,456	6,070
Multiple Family	<u>14,349</u>	<u>18,405</u>	<u>15,589</u>	<u>17,023</u>	<u>17,152</u>
Total	18,707	22,892	20,369	22,479	23,222

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

APPENDIX E

LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County (the "County") Treasury Pool (the "Treasury Pool") has been provided by the Treasurer-Tax Collector (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <https://ttc.lacounty.gov/>. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$9.752
Schools and Community Colleges	14.765
Discretionary Participants	<u>2.810</u>
Total	<u>\$27.327</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	89.72%
Discretionary Participants:	
Independent Public Agencies	9.78%
County Bond Proceeds and Repayment Funds	<u>0.50%</u>
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to

the Investment Report dated October 31, 2019, the September 30, 2019, book value of the Treasury Pool was approximately \$27.327 billion, and the corresponding market value was approximately \$27.312 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2019:

<u>Type of Investment</u>	<u>% of Pool</u>
Certificates of Deposit	6.04
U.S. Government and Agency Obligations	66.01
Bankers Acceptances	0.00
Commercial Paper	27.40
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	0.37
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of September 30, 2019, approximately 36% of the investments mature within 60 days, with an average of 539 days to maturity for the entire portfolio.