PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2020

NEW ISSUE
DTC BOOK-ENTRY ONLY

Moody's Rating: "Aa3"
See "RATING" herein

In the opinion of Parker & Covert LLP, Sacramento, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS—Tax Matters" herein.

TUSD
Turlock Unified School District
Learning Today...Leading Tomorrow

$14,700,000*
GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE TURLOCK UNIFIED SCHOOL DISTRICT (STANISLAUS COUNTY AND MERCED COUNTY, CALIFORNIA) ELECTION OF 2016, SERIES 2020

DATED: Date of Delivery **DUE: August 1, as shown on the inside cover**

The General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District (Stanislaus County and Merced County, California), Election of 2016, Series 2020 in the aggregate principal amount of $14,700,000* (the "Bonds") are being issued by the Turlock Unified School District (the "School District") to (i) finance certain of the school facilities projects set forth in the ballot measure approved by voters at an election held on November 8, 2016, (ii) fund a deposit to the Tax Collection Fund (as defined herein) to pay debt service on the Bonds for a period of time and (iii) pay certain costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The Bonds are general obligation bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District ("SFID No. 1"), payable from *ad valorem* property taxes levied and collected by Stanislaus County and Merced County against taxable property located within SFID No. 1 and other amounts on deposit in the Tax Collection Fund. The Board of Supervisors of Stanislaus County and the Board of Supervisors of Merced County are empowered and obligated to annually levy and collect *ad valorem* property taxes without limitation as to rate or amount on all taxable property in SFID No. 1 (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are being issued as current interest bonds in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. The Bonds are subject to redemption prior to their maturity. See "THE BONDS—Payment of Principal and Interest" and "—Redemption Provisions" herein.

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), acting as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only and only in authorized denominations as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by Zions Bancorporation, National Association as paying agent (the "Paying Agent") to DTC for subsequent disbursement to DTC participants who will remit such payments to the Beneficial Owners. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THEIR MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULE

See Inside Cover

The Bonds are being purchased for reoffering by ____________ as underwriter of the Bonds (the "Underwriter"). The Bonds are offered when, as and if issued by the School District and received by the Underwriter, subject to the approval as to their legality by Parker & Covert LLP, Sacramento, California, Bond Counsel to the School District, and subject to certain other conditions. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 1, 2020.

This Official Statement is dated ________, 2020.

*Preliminary, subject to adjustment.

MATURITY SCHEDULE

$14,700,000*
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE
TURLOCK UNIFIED SCHOOL DISTRICT
(STANISLAUS COUNTY AND MERCED COUNTY, CALIFORNIA)
ELECTION OF 2016, SERIES 2020

Maturity Date August 1	Principal Amount*	Interest Rate	Yield	Price	CUSIP+
2021	$700,000	_.___%	_.___%	___.___%	900211 ___
2022	460,000	_.___	_.___	___.___	900211 ___
2023	435,000	_.___	_.___	___.___	900211 ___
2024	495,000	_.___	_.___	___.___	900211 ___
2025	550,000	_.___	_.___	___.___	900211 ___
2026	615,000	_.___	_.___	___.___	900211 ___
2027	680,000	_.___	_.___	___.___	900211 ___
2028	745,000	_.___	_.___	___.___	900211 ___
2029	810,000	_.___	_.___	___.___	900211 ___
2030	875,000	_.___	_.___	___.___	900211 ___
2031	945,000	_.___	_.___	___.___	900211 ___
2032	1,015,000	_.___	_.___	___.___	900211 ___
2033	195,000	_.___	_.___	___.___	900211 ___
2034	215,000	_.___	_.___	___.___	900211 ___
2035	220,000	_.___	_.___	___.___	900211 ___
2036	305,000	_.___	_.___	___.___	900211 ___
2037	330,000	_.___	_.___	___.___	900211 ___
2038	360,000	_.___	_.___	___.___	900211 ___
2039	385,000	_.___	_.___	___.___	900211 ___
2040	405,000	_.___	_.___	___.___	900211 ___
2041	420,000	_.___	_.___	___.___	900211 ___
2042	440,000	_.___	_.___	___.___	900211 ___
2043	465,000	_.___	_.___	___.___	900211 ___
2044	495,000	_.___	_.___	___.___	900211 ___
2045	515,000	_.___	_.___	___.___	900211 ___
2046	540,000	_.___	_.___	___.___	900211 ___
2047	1,085,000	_.___	_.___	___.___	900211 ___

* Preliminary; subject to adjustment

+CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Services. Neither the School District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Use of Official Statement. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract between any owner of Bonds and the School District or the Underwriter.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities law of any state.

Rule 15c2-12. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the School District with respect to the Bonds that has been deemed "final" by the School District as of its date except for the omission of no more than the information provided by Rule 15c2-12.

No Unlawful Offers of Solicitations. This Official Statement does not constitute an offer to sell nor 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 an offer, solicitation or sale.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the School District or the Underwriter to give any information or to make any representations, other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by the School District or the Underwriter.

Information in Official Statement. The information set forth herein has been furnished by the School District and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion 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 School District since the date hereof.

Website. The School District maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The School District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

Statement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under 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.

Stabilization of and Changes to Offering Prices. In connection with the offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds offered hereby 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, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

$14,700,000*
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE
TURLOCK UNIFIED SCHOOL DISTRICT
(STANISLAUS COUNTY AND MERCED COUNTY, CALIFORNIA)
ELECTION OF 2016, SERIES 2020

SCHOOL DISTRICT ADMINISTRATION

Dana Salles Trevethan, Superintendent
Barney Gordon, Assistant Superintendent, Business Services
Heidi Lawler, Assistant Superintendent, Educational Services
Marjorie Bettencourt, Assistant Superintendent, Finance & Accountability
David Lattig, Assistant Superintendent, Human Resources

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Los Angeles, California 90071
(213) 593-3153

* Preliminary; subject to adjustment

$14,700,000*
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE
TURLOCK UNIFIED SCHOOL DISTRICT
(STANISLAUS COUNTY AND MERCED COUNTY, CALIFORNIA)
ELECTION OF 2016, SERIES 2020

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* Preliminary; subject to adjustment

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$14,700,000*
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE
TURLOCK UNIFIED SCHOOL DISTRICT
(STANISLAUS COUNTY AND MERCED COUNTY, CALIFORNIA)
ELECTION OF 2016, SERIES 2020

OFFICIAL STATEMENT

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and attached appendices (the "Official Statement") is to provide certain information concerning the sale and delivery of the General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District (Stanislaus County and Merced County, California), Election of 2016, Series 2020 issued in the aggregate principal amount of $14,700,000* (the "Bonds").

This INTRODUCTION is not a summary of this Official Statement—it is only a brief description of and guide to this Official Statement. This INTRODUCTION is qualified by more complete and detailed information contained in this entire Official Statement. A full review of this entire Official Statement should be made by a person interested in investing in the Bonds. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

The School District

The Turlock Unified School District (the "School District"), a political subdivision of the State of California (the "State"), was established in 2004 upon the unification of Turlock Joint Elementary School District and Turlock Joint Union High School District. The School District encompasses approximately 100 square miles, approximately 98 percent of which is located in the south-central portion of Stanislaus County, with the remaining portion located in the north-central portion of Merced County. The territory covered by the School District includes the City of Turlock (the "City") and certain unincorporated areas on either side of Highway 99, a main route linking the central San Joaquin Valley to the City of Los Angeles to the south and the City of Sacramento, the State capital, to the north. The School District serves a population of approximately 86,280 people.

The School District provides education to approximately 13,900 students in transitional kindergarten through twelfth grade, as well as additional students in adult education and a charter school. The School District operates nine elementary schools, one grade 6-8 middle school, one grade 7-8 junior high school, two comprehensive high schools, one continuation high school, one fiscally dependent K-12 charter school and an adult school. The School District is governed by a seven-member elected Board of Trustees (the "School Board"). See "THE SCHOOL DISTRICT" and "SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

School Facilities Improvement District No. 1

School Facilities Improvement District No. 1 of the Turlock Unified School District ("SFID No. 1") was established by the School Board on July 6, 2006, pursuant to the provisions of the California Education Code (the "Education Code") Section 15300 *et seq*., for the purpose of holding a bond election within the boundaries of SFID No. 1. The formation of SFID No. 1 allows the School District to finance school capital improvements from *ad valorem* property taxes levied only against property located within the designated boundaries of SFID No. 1, which consists of all of the territory located within the boundaries of

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* Preliminary; subject to adjustment

the former Turlock Joint Elementary School District. SFID No. 1 encompasses approximately 30 square miles, including the incorporated area of the City of Turlock and certain unincorporated areas lying along Highway 99, one of the main routes linking the Central San Joaquin Valley to the City of Los Angeles to the south and the City of Sacramento, the State capital, to the north.

The School Board has the same rights, powers, duties and responsibilities with respect to the formation and governance of SFID No. 1 as it has with respect to the School District. SFID No. 1 has no legal authority beyond the issuance of approved bonds and taxation therefor. See "SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1" herein.

Purpose of Issue

The Bonds are being issued by the School District to (i) finance certain of the school facilities projects set forth in the ballot measure approved by voters within SFID No. 1 at an election held on November 8, 2016, (ii) fund a deposit to the Tax Collection Fund (as defined herein) to pay debt service on the Bonds for a period of time and (iii) pay costs of issuance of the Bonds. See "THE BONDS—Authority for Issuance" and "PLAN OF FINANCE" herein.

Authority for Issuance

The Bonds are being issued by the School District under and pursuant to the California Constitution (the "State Constitution"), certain provisions of the California Government Code (the "Government Code") and the Education Code, as applicable, a resolution adopted by the School Board on August 4, 2020 (the "Resolution") and a paying agent agreement dated May 1, 2017 between the School District and Zions Bancorporation, National Association (the "Paying Agent"), as supplemented by a first supplemental paying agent agreement dated May 1, 2019 and a second supplemental paying agent agreement dated August 1, 2020 (together, the "Paying Agent Agreement"). See "THE BONDS—Authority for Issuance" herein.

Description of the Bonds

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent to DTC for subsequent disbursement to DTC participants who will remit such payments to the beneficial owners of the Bonds (the "Beneficial Owners"). See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Bonds are being issued as current interest bonds in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds are dated their date of delivery and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. Interest on the Bonds is computed on the basis of a 360-day year comprised of 12 months of 30 days each. See "THE BONDS—Payment of Principal and Interest" herein.

The Bonds are subject to redemption prior to maturity. See THE BONDS—Redemption Provisions" herein.

Source of Payment for the Bonds

The Bonds are general obligation bonds of SFID No. 1 payable from *ad valorem* property taxes, levied pursuant to the provisions of the State Constitution and other State law, which the Board of Supervisors of Stanislaus County (the "Stanislaus County Board") and the Board of Supervisors of Merced County (the "Merced County Board") are empowered and obligated to annually levy and collect, without limitation as to rate or amount, on all taxable property in SFID No. 1 (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds, and from amounts on deposit in the Tax Collection Fund (as defined herein). See "SECURITY AND SOURCE OF PAYMENT" herein.

Impact of COVID-19

An outbreak of a respiratory disease caused by a new strain of coronavirus ("COVID-19") was first detected in China in late 2019 and has subsequently spread globally. The federal and State governments have both declared emergencies and taken actions to limit the spread of the outbreak and reduce the resulting economic impact. The School District cannot predict the outbreak's extent or duration or what impact the outbreak as well as responses by federal, State or local authorities may have on the School District's financial condition, the assessed value of real property within SFID No. 1 or property tax collections by Stanislaus County and Merced County within SFID No. 1. See "DISCLOSURE RELATED TO COVID-19" herein.

Bond Insurance

The decision as to whether or not payment of debt service on the Bonds will be insured will be determined by the Underwriter of the Bonds at the time of the sale of the Bonds.

Tax Matters

In the opinion of Parker & Covert LLP, Sacramento, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS—Tax Matters" herein. The form of the proposed opinion of Bond Counsel relating to the Bonds is included with this Official Statement. See "APPENDIX C—FORM OF OPINION OF BOND COUNSEL" attached hereto.

Continuing Disclosure

The School District will covenant for the benefit of the Underwriter, the Registered Owners (as defined herein) and the Beneficial Owners to make available annually certain financial information and operating data relating to the School District and SFID No. 1 and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5). The specific nature of the information to be made available annually and the enumerated events for which notice will be given are set forth in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. See also "CONTINUING DISCLOSURE" herein.

Professionals Involved

Government Financial Strategies inc., Sacramento, California, has acted as municipal advisor (the "Municipal Advisor") to the School District with respect to the sale and delivery of the Bonds. See "MUNICIPAL ADVISOR" herein. Certain proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel. Zions Bancorporation, National Association will act as paying agent with respect to the Bonds. Parker & Covert LLP and Zions Bancorporation, National Association will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement may be considered current only as of its date that has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds, the School District and SFID No. 1, together with summaries of certain provisions of the Resolution, the Paying Agent Agreement, and other legal documents related to the Bonds (collectively, the "Legal Documents") are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and all references made herein to the Legal Documents approved by the School District are qualified in their entirety by reference to such documents, and all references made herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Legal Documents.

Interested parties may obtain copies of the Legal Documents, audited financial statements, annual budgets, or other information which is generally made available to the public by contacting Turlock Unified School District, 1574 East Canal Drive, Turlock, California 95380, (209) 667-0632, Attention: Assistant Superintendent, Business Services, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

THE BONDS

Purpose of Issue

The Bonds are being issued by the School District to (i) finance certain of the school facilities projects set forth in the ballot measure approved by voters within SFID No. 1 at an election held on November 8, 2016, (ii) fund a deposit to the Tax Collection Fund (as defined herein) to pay debt service on the Bonds for a period of time and (iii) pay certain costs of issuance of the Bonds. See "—Authority for Issuance" and "PLAN OF FINANCE" herein.

Authority for Issuance

The Bonds are being issued by the School District in accordance with the provisions of Article XIIIA, Section 1 of the State Constitution, the provisions of Government Code Section 53506 *et seq*. and all laws amendatory to or supplemental thereof, certain provisions of Education Code Section 15300 *et seq.,* and all laws amendatory to or supplemental thereof, and pursuant to the provisions of the Resolution and the Paying Agent Agreement.

Pursuant to provisions of State law, the School Board adopted a resolution calling for an election to authorize the issuance of up to $40.8 million in aggregate principal amount of general obligation bonds for authorized school purposes. On November 8, 2016, at an election duly held pursuant to State law, more than 55 percent of the votes received from qualified voters within the boundaries of SFID No. 1 approved "Measure N" (the "2016 Authorization") as follows:

> *"To upgrade and repair elementary schools with local funding that cannot be taken by the State, shall Turlock Unified School District provide new classrooms/instructional technology, including necessary infrastructure, for core academics including math, science, reading/writing; modernize classrooms to meet health/safety codes; improve campus safety/security; repair, construct, acquire, equip, classrooms, sites, facilities; by issuing $40,800,000 of bonds at legal rates, with independent citizen oversight, no money for administrators, and all funds used for Turlock Schools?"*

The Stanislaus County Registrar of Voters and the Merced County Registrar of Voters certified the results of the Measure N election as follows:

General Obligation Bond Election of 2016
School Facilities Improvement District No. 1 of the Turlock Unified School District

County	Yes Votes	No Votes
Stanislaus	15,697	6,955
Merced	142	88
Total	15,839 (69.2%)	7,043 (30.8%)

Source: Stanislaus County Registrar of Voters and Merced County Registrar of Voters.

On May 9, 2017, the School District issued the first series of bonds authorized by the 2016 Authorization, the General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District (Stanislaus County and Merced County, California) Election of 2016, Series 2017 (the "2017 SFID Bonds"), in the aggregate principal amount of $12,500,000. On May 22, 2019, the School District issued the second series of bonds authorized by the 2016 Authorization, the General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District (Stanislaus County and Merced County, California) Election of 2016, Series 2019 (the "2019 SFID Bonds"), in the aggregate principal amount of $13,600,000. The Bonds represent the third and final series of general obligation bonds to be issued under the 2016 Authorization. Upon the issuance of the Bonds, the School District will have no unissued authorization remaining under the 2016 Authorization*. See "SCHOOL DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" herein.

Form and Initial Registration

Pursuant to the Paying Agent Agreement, the Paying Agent will keep and maintain for and on behalf of the School District, registration books (the "Bond Register") for recording the owners of the Bonds (the "Registered Owners"), the transfer and exchange of the Bonds, and the payment of the principal of and interest on the Bonds to the Registered Owners.

The Bonds will be initially executed and delivered as one fully registered bond for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC participant in the principal amount of $5,000 or integral multiples thereof for each maturity, and ownership interests in Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

So long as the Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee for DTC, references in this Official Statement to the Registered Owners mean Cede & Co., or its registered assigns, and do not mean the Beneficial Owners of the Bonds.

Payment of Principal and Interest

The Bonds are dated their date of delivery and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof.

Interest on the Bonds is computed on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2021, at the annual interest rates shown on the inside cover page hereof.

Each Bond bears interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated as of a day during the period after the fifteenth day of the calendar month immediately preceding an Interest Payment Date (the "Regular Record Date") to that Interest Payment Date, both dates inclusive, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated on or before January 15, 2021, in which event it bears interest from its date of delivery, provided that if, at the time of authentication of a Bond, interest is in default thereon, such Bond bears interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

The principal or redemption price of and interest on the Bonds is payable in lawful money of the United States of America by wire transfer on each payment date to Cede & Co., or its registered assigns, as nominee of DTC, so long as Cede & Co. is the sole Registered Owner. In the event the book-entry system is no longer in use, the principal or redemption price of the Bonds is payable upon surrender thereof at maturity or earlier redemption at the designated office of the Paying Agent, and payments of interest will be made on each Interest Payment Date by check of the Paying Agent sent to the Registered Owner thereof, provided however, that payment of interest may be by wire transfer of immediately available funds to any Registered Owner in the aggregate principal amount of $1,000,000 or more who has provided the Paying Agent with wire transfer instructions to an account within the United States of America as of the close of business on the Regular Record Date.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, 2026, are not subject to redemption prior to their respective maturity dates at the option of the School District. The Bonds maturing on or after August 1, 2027, are subject to redemption

* Preliminary; subject to adjustment.

prior to their respective stated maturities, at the option of the School District, as a whole or in part among maturities on such basis as designated by the School District and by lot within a maturity, from any source of available funds, on any date on or after August 1, 2026 at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bond maturing by its term on August 1, 20__ (the "20__ Term Bond") is subject to mandatory redemption by the School District prior to its maturity in part, by lot, from mandatory redemption payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption without premium, but which amounts will be reduced by the principal amount of such 20__ Term Bond optionally redeemed.

Mandatory Redemption Payments
$______ 20__ Term Bond

Mandatory Redemption Date (August 1)	Principal Amount
20__	$_______
20__	$_______[1]

[1]Indicates maturity of the $_______ 20__ Term Bond.

If any Term Bonds are optionally redeemed in part, the School District will provide to the Paying Agent revised schedules of mandatory redemption payments.

Selection of Bonds for Redemption. In the case of any redemption at the election of the School District of less than all the outstanding Bonds, the School District will, at least 45 days prior to the date fixed for redemption (unless a shorter notice is satisfactory to the Paying Agent) notify the Paying Agent in writing of such redemption date and of the principal amount of Bonds to be redeemed. If less than all the outstanding Bonds of any maturity are to be redeemed, not more than 60 days prior to the redemption date, the Paying Agent will select the particular Bonds to be redeemed from the outstanding Bonds of such maturity that have not previously been called for redemption, in minimum amounts of $5,000 principal amount, by lot in any manner that the Paying Agent in its sole discretion deems appropriate and fair. For purposes of such selection, each $5,000 principal amount will be deemed to be a separate Bond.

Notice of Redemption. The Paying Agent will mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register and will file such notice on the same day with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") website. Each notice of redemption will contain: (i) the date of such notice; (ii) the series designation of the Bonds and date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent); (vi) the CUSIP number (if any) of the maturity or maturities; and (vii) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each notice will either (i) explicitly state that the proposed redemption is conditioned on there being on deposit on the redemption date sufficient money to pay in full the redemption price of the Bonds or portions thereof to be redeemed; or (ii) be sent only if sufficient money to pay in full the redemption price of the Bonds or portions thereof to be redeemed is on deposit. Each such notice will also (i) state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption; (ii) state that from and after such redemption date interest thereon shall cease to accrue; and (iii) require that such Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice. Neither the School District nor the Paying Agent has any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the School District nor the Paying Agent is liable for any inaccuracy in such numbers.

Defects in Notice or Procedure. Failure by the Paying Agent to file notice with the MSRB or failure of any Registered Owner to receive notice, or any defect in any such notice, will not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail or otherwise deliver notice to any one or more of the respective Registered Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Registered Owner or Owners to whom such notice was mailed or delivered.

Right to Rescind Notice. The School District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Registered Owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the fund held by the Paying Agent for the payment of principal of and interest on the Bonds to the Registered Owners or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Deposit of Redemption Price. Prior to any redemption date, the School District will deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds that are to be redeemed on that date. Such money will be held for the benefit of the persons entitled to such redemption price.

Effect of Redemption. When notice of redemption has been given substantially as provided in the Paying Agent Agreement and moneys for payment of the redemption price of the Bonds called for redemption are held by the Paying Agent, on the redemption date designated in such notice (i) the Bonds so to be redeemed will become due and payable at the redemption price specified in such notice; (ii) interest on such Bonds will cease to accrue; (iii) such Bonds will cease to be entitled to any benefit or security under the Paying Agent Agreement; and (iv) the Registered Owners of such Bonds will have no rights in respect thereof except to receive payment of said redemption price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond will be paid by the Paying Agent at the redemption price.

Bonds Redeemed in Part. Upon surrender of any Bond redeemed in part only, the School District will execute and the Paying Agent will authenticate, if required, and deliver to the Registered Owner thereof, at the expense of the School District, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Transfer and Exchange

Except as provided below, DTC will be the Registered Owner of all of the Bonds, and the Bonds will be registered in the name of Cede & Co., as nominee for DTC. The Paying Agent and the School District may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of the Paying Agent Agreement, and neither the Paying Agent nor the School District will be affected by any notice to the contrary. The Paying Agent and the School District have no responsibility or obligation to any depository system participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or a DTC participant, or any other person which is not shown on the register of the School District as being an owner, with respect to the accuracy of any records maintained by DTC or any DTC participant or the payment by DTC or any DTC participant by DTC or any DTC participant of any amount in respect of the principal or interest with respect to the Bonds. The School District will cause to be paid all principal and interest with respect to the Bonds only to DTC, and all such payments will be valid and effective to fully satisfy and discharge the School District's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC will receive a Bond. Upon delivery by DTC to the School District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in the Paying Agent Agreement shall refer to such new nominee of DTC. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

If the book-entry system as described herein is no longer used with respect to the Bonds, the provisions in the Paying Agent Agreement summarized below will govern the transfer and exchange of the Bonds.

Upon surrender of a Bond for transfer at the Paying Agent's office, the School District will execute and, if required, the Paying Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same series, tenor, and maturity upon surrender of the Bonds for exchange at the Paying Agent's office. Upon surrender of Bonds for exchange, the School District will execute and, if required, the Paying Agent will authenticate and deliver the Bonds that the holder making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent, that is duly executed by the Registered Owner or by his attorney duly authorized in writing. All fees and costs of any transfer or exchange of Bonds will be paid by the holder requesting such transfer or exchange.

All Bonds issued upon any transfer or exchange of Bonds will be the valid obligations of the School District, evidencing the same debt, and entitled to the same security and benefits under the Paying Agent Agreement, as the Bonds surrendered upon such transfer or exchange. All Bonds surrendered upon any exchange or transfer will be promptly cancelled by the Paying Agent.

The Paying Agent is not required to transfer or exchange (i) Bonds during the period established by the Paying Agent for the selection of Bonds for redemption; or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

Defeasance

Upon the deposit with the Paying Agent, escrow agent, or other fiduciary, at or before maturity, of money or Defeasance Securities (as defined herein) in the necessary amount as provided in the Paying Agent Agreement to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the School District in respect of such Bond will cease, terminate, and be completely discharged, except that thereafter (i) the Registered Owner thereof will be entitled to payment of the principal amount or redemption price of and interest on such Bond by the School District and the School District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent, escrow agent, or other fiduciary for their payment; and (ii) the Registered Owner thereof will retain its rights of transfer or exchange of Bonds. Defeasance Securities means (i) cash; (ii) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (iv) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (v) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Unclaimed Moneys

Subject to applicable escheatment laws, any moneys held by the Paying Agent for the payment of the principal amount or redemption price of or interest on any Bonds and remaining unclaimed for three years after the date when such Bonds have become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or three years after the date of deposit of such moneys if deposited after the date when such Bonds became due and payable, will be repaid to the School District. Thereafter, Registered Owners will look solely to the School District for the payment of such funds and the Paying Agent will have no further liability for such funds.

Paying Agent

Zions Bancorporation, National Association will act as the paying agent, bond registrar and authenticating agent for the Bonds unless and until replaced by the School District with a successor paying agent as described in the Paying Agent Agreement. As long as Cede & Co or a successor nominee or DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice to owners only to DTC. Any failure of DTC to advise any DTC participant or of any DTC participant to notify any Beneficial Owner of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to any action premised on such notice. The Paying Agent, the School District and the Underwriter have no responsibility or liability for any aspects of the records relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records relating to beneficial ownership of interests in the Bonds.

PLAN OF FINANCE

Application and Investment of Bond Proceeds

A portion of the proceeds of the sale of the Bonds, exclusive of any premium, will be transferred to the Stanislaus County Treasurer for deposit in the General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District, Election of 2016 Building Fund (the "Building Fund") established and maintained in the Stanislaus County Treasury in accordance with Education Code Section 15146(g) and accounted for, together with the proceeds of other bonds of SFID No. 1, separately from all other School District and County funds. Moneys deposited in the Building Fund will be used solely for the purpose for which the Bonds are authorized. Interest earned on moneys held in the Building Fund will be retained in the Building Fund. Any proceeds of the sale of the Bonds deposited in the Building Fund not needed for the purposes of the Bonds will be transferred to the School Facilities Improvement District No. 1 of the Turlock Unified School District Tax Collection Fund (the "Tax Collection Fund") established and maintained by the Stanislaus County Treasurer in the Stanislaus County Treasury pursuant to Education Code Section 15251, to be applied to the payment of principal of and interest on general obligations bonds of SFID No. 1 including the Bonds.

A portion of the proceeds from the sale of the Bonds, exclusive of any premium, will be transferred to the Paying Agent for deposit into a costs of issuance fund (the "Costs of Issuance Fund") to be created and maintained by the Paying Agent pursuant to the Paying Agent Agreement to pay costs associated with the issuance of the Bonds. Any proceeds of the sale of the Bonds deposited in the Costs of Issuance Fund not needed to pay the costs of issuance of the Bonds will be transferred by the Paying Agent to a debt service fund (the "Debt Service Fund") held by the Paying Agent for the payment of principal of and interest on the Bonds.

The premium, if any, received by the School District from the sale of the Bonds will be transferred to the Stanislaus County Treasurer for deposit in the Tax Collection Fund. Moneys deposited in the Tax Collection Fund are irrevocably pledged for the payment of the principal of and interest on general obligation bonds of SFID No. 1 when and as the same fall due. Any moneys remaining in the Tax Collection Fund after the principal of and interest on the Bonds have been paid will be used to pay other general obligation bonds of SFID No. 1 or, if there are no other general obligation bonds of SFID No. 1 outstanding, will be transferred to the general fund of the School District (the "General Fund") pursuant to Education Code Section 15234.

Permitted Investments

Under State law, the School District is generally required to pay all moneys received from any source into the Stanislaus County Treasury to be held on behalf of the School District. All funds held by the Stanislaus County Treasurer in the Building Fund and the Tax Collection Fund are expected to be invested at the sole discretion of the Stanislaus County Treasurer, on behalf of the School District, in such investments as are authorized by Government Code Sections 16429.1, 53601 and 53635 *et seq*., and by the Stanislaus County Treasury Pool Investment Policy (the "Stanislaus County Investment Policy"), as either may be amended or supplemented from time to time. Under existing law, amounts in the Building Fund are required to be held in the Stanislaus County Treasury and will be invested in the Stanislaus County Treasury Pool. At no time shall the proceeds of the Bonds be withdrawn by the School District for investment outside the Stanislaus County Treasury. See "STANISLAUS COUNTY TREASURY POOL" herein and "APPENDIX D—STANISLAUS COUNTY TREASURY POOL INVESTMENT POLICY" attached hereto for a description of the permitted investments under the Stanislaus County Investment Policy.

Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Bonds are set forth in the following table.

Sources and Uses of Funds
General Obligation Bonds of SFID No. 1 of the Turlock Unified School District, Election of 2016, Series 2020

Sources of Funds	
Par Amount of Bonds	$
Net Original Issue Premium	
Total Sources of Funds	$
Uses of Funds	
Building Fund	$
Tax Collection Fund	
Costs of Issuance Fund[1]	
Underwriter's Discount	
Total Uses of Funds	$

[1]The Costs of Issuance Fund will be used to pay costs of issuance of the Bonds including fees and expenses of Bond Counsel, the Municipal Advisor, the Paying Agent, and the rating agency and certain other expenses related to the issuance of the Bonds.

Debt Service Schedules

Scheduled debt service on the Bonds (assuming no optional redemption of Bonds) is shown in the table on the following page.

Debt Service Schedule
General Obligation Bonds of SFID No. 1 of the Turlock Unified School District, Election of 2016, Series 2020

Date	Principal	Interest	Semiannual Debt Service
February 1, 2021	$	$	$
August 1, 2021			
February 1, 2022			
August 1, 2022			
February 1, 2023			
August 1, 2023			
February 1, 2024			
August 1, 2024			
February 1, 2025			
August 1, 2025			
February 1, 2026			
August 1, 2026			
February 1, 2027			
August 1, 2027			
February 1, 2028			
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August 1, 2041			
February 1, 2042			
August 1, 2042			
February 1, 2043			
August 1, 2043			
February 1, 2044			
August 1, 2044			
February 1, 2045			
August 1, 2045			
February 1, 2046			
August 1, 2046			
February 1, 2047			
August 1, 2047			
Total	$	$	$

Upon issuance of the Bonds, scheduled debt service on the outstanding general obligation bond debt of SFID No. 1 and the former Turlock Joint Elementary School District issued by the School District (assuming no optional redemption of such general obligation bond debt) is shown in the following table. See "SCHOOL DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" for more information on the School District's outstanding bonded debt.

Outstanding General Obligation Bond Debt Service
School Facilities Improvement District No. 1 of the Turlock Unified School District and the Former Turlock Joint Elementary School District[1]

Year Ended June 30	Outstanding SFID No. 1 General Obligation Bonds	Outstanding Former Turlock Elementary School District General Obligation Bonds[1]	General Obligation Bonds, Election of 2016, Series 2020	Total General Obligation Bond Debt Service
2021	$2,198,006	$671,056	$	$
2022	2,287,756	665,606		
2023	1,385,256	664,856		
2024	1,388,756	668,656		
2025	1,391,006	661,856		
2026	1,397,006	664,756		
2027	1,396,506	662,056		
2028	1,400,456	663,906		
2029	1,403,806	665,156		
2030	1,405,838	--		
2031	1,406,500	--		
2032	1,416,513	--		
2033	749,744	--		
2034	1,638,503	--		
2035	1,679,406	--		
2036	1,732,025	--		
2037	1,710,203	--		
2038	1,754,344	--		
2039	1,795,925	--		
2040	1,844,356	--		
2041	1,904,219	--		
2042	1,965,594	--		
2043	2,028,319	--		
2044	2,089,969	--		
2045	2,145,294	--		
2046	2,215,413	--		
2047	2,284,856	--		
2048	1,812,891	--		

[1]Includes general obligation bond debt service issued by the School District to refund debt of the former Turlock Joint Elementary School District. Does not include general obligation bond debt service issued by the School District paid from property taxes levied on the entire area of the School District.

SECURITY AND SOURCE OF PAYMENT

Introduction

The Bonds are general obligation bonds of SFID No. 1 payable from *ad valorem* property taxes levied and collected by Stanislaus County and Merced County for the payment of principal of and interest on the Bonds and from amounts on deposit in the Tax Collection Fund. The Stanislaus County Board and the Merced County Board are empowered and obligated to levy *ad valorem* property taxes upon all property within SFID No. 1 subject to taxation without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) in order to provide sufficient funds for the payment of principal of and interest on the Bonds when due. Although Stanislaus County and Merced County are obligated to levy and collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of either Stanislaus County or Merced County. In accordance with Education Code Section 15232, the School District has requested the Stanislaus County

Board and the Merced County Board to include within the annual tax levy for the Bonds the fees and expenses payable to the Paying Agent.

The proceeds of such *ad valorem* property taxes, when collected, will be deposited into the Tax Collection Fund pursuant to Education Code Section 15251, which *ad valorem* property taxes, together with the amounts on deposit in the Tax Collection Fund, are irrevocably pledged pursuant to Government Code Sections 5450 and 5451 to the payment of principal of and interest on the Bonds when and as the same fall due. Pursuant to Government Code 53515 (discussed below), the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment of the Bonds. Stanislaus County and Merced County will take all actions necessary to levy such *ad valorem* property taxes in accordance with Education Code Section 15250 *et seq.* and to cause the proceeds from such levy to be deposited into the Tax Collection Fund to pay the principal of and interest on the Bonds when due. The School District will direct the Stanislaus County Treasurer to transfer, at least one business day prior to each Interest Payment Date, from the Tax Collection Fund to the Paying Agent for deposit in the Debt Service Fund an amount sufficient to pay the principal of and interest on the Bonds becoming due and payable on the next succeeding Interest Payment Date.

Various officers of Stanislaus County and Merced County are responsible for the performance of each function in the property taxation system within such county. Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in SFID No. 1. All property, including real, personal and intangible property, is taxable, unless granted an exemption by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The California Legislature (the "State Legislature") may create additional exemptions for personal property, but not for real property. Taxes on property located in a district with boundaries extending into more than one county are administered separately by each county in which the property is located (SFID No. 1 is located in both Stanislaus County and Merced County). In such districts, the rate of tax is determined by the district's primary county (SFID No. 1's primary county is Stanislaus County), and the primary county directs the secondary county to place the tax on the tax rolls. Taxes collected by the secondary county are sent to the primary county.

Taxes on real property located within SFID No. 1 are assessed and collected by Stanislaus County and Merced County in the same manner, at the same time, and in the same installments as other *ad valorem* property taxes on real property located in Stanislaus County and Merced County, respectively. In addition to general obligation bonds issued on behalf of SFID No. 1, other entities with jurisdiction in or overlapping with the boundaries of SFID No. 1 may issue debt payable from *ad valorem* property taxes also levied on parcels in SFID No. 1. Such taxes have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as *ad valorem* property taxes levied for the payment of the Bonds and other general obligation bonds of SFID No. 1.

In no event is SFID No. 1 or the School District obligated to pay principal of and interest on the Bonds from any source of funds other than *ad valorem* property taxes and other amounts on deposit in the Tax Collection Fund. However, nothing in the Resolution prevents SFID No. 1 or the School District from making advances of other moneys, howsoever derived, to any use or purpose permitted by law.

Statutory Lien on *Ad Valorem* Property Tax Revenues

Government Code Section 53515 provides that all general obligation bonds issued and sold by or on behalf of a local agency in the State are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. The 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. In addition, the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will automatically attach to the revenues and be effective, binding, and enforceable against the local agency, such as the School District, as applicable, its successor, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing, or further tax. Government Code Section 53515 applies to the Bonds.

Assessed Valuation of Property

The county assessor of Stanislaus County and the county assessor of Merced County (together, the "County Assessors") must annually assess all taxable property in Stanislaus County and Merced County, respectively (except for "utility" property, assessed by the State), to the person, business or legal entity owning, claiming, possessing or controlling the property on January 1, the lien date. Property assessed by the County Assessors is subject to the reappraisal provisions set forth in the State Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES—Article XIIIA of the State Constitution" herein. The duties of the County Assessors are to discover all assessable property, to inventory and list all taxable property, to value the property, and to enroll the property on the local assessment roll. Locally assessed taxable property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The secured roll contains real property sufficient, in the opinion of the County Assessors, to secure the payment of the taxes as a lien on real property. All other property is unsecured and assessed on the unsecured roll.

The secured roll also includes certain "utility" property, entered on the utility roll, located in Stanislaus County and Merced County but assessed by the State Board of Equalization (the "SBE") rather than by the County Assessors. Such property includes property owned or used by State-regulated transportation and communications utilities such as railways, telephone and telegraph companies, companies transmitting or selling gas or electricity, and pipelines, flumes, canals and aqueducts lying within two or more counties. Property assessed by the SBE is not subject to the provisions of Proposition 13 (1978) and is annually reappraised at its market value as of January 1 and then allocated by formula among all the taxing jurisdictions in Stanislaus County and Merced County, respectively, including SFID No. 1. The growth or decline in the assessed valuation of utility property is shared by all jurisdictions in Stanislaus County and Merced County, respectively. The School District can make no predictions regarding the impact of the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies on the amount of tax revenue collected. In general, the transfer of State-assessed property located in SFID No. 1 to non-utility companies will increase the assessed value of property in SFID No. 1, since the property's value will no longer be divided among taxing jurisdictions in Stanislaus County and/or Merced County; the transfer of property located and taxed in SFID No. 1 to a State-assessed utility will, in general, reduce the assessed value in SFID No. 1, as the value is shared among the other jurisdictions in Stanislaus County and/or Merced County. The greater the total assessed value of all taxable property in SFID No. 1, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

Shown in the following table are 10 years of historical assessed valuation in SFID No. 1. Total secured assessed value includes net local secured assessed value, the assessed value of the secured homeowner exemption and the assessed value on "utility" property as allocated by the SBE. Total unsecured assessed value includes net local unsecured assessed value and the assessed value of the unsecured homeowner exemption.

Historical Total Secured and Unsecured Assessed Valuation
School Facilities Improvement District No. 1 of the Turlock Unified School District

Year Ended June 30	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2011	$4,456,364,561	$186,176,950	$4,642,541,511	--
2012	4,314,787,703	179,494,576	4,494,282,279	(3.19%)
2013	4,135,411,309	177,470,688	4,312,881,997	(4.04)
2014	4,311,557,890	176,666,223	4,488,224,113	4.07
2015	4,745,204,359	190,783,042	4,935,987,401	9.98
2016	5,147,199,431	202,380,576	5,349,580,007	8.38
2017	5,481,713,345	225,915,997	5,707,629,342	6.69
2018	5,777,138,095	238,056,864	6,015,194,959	5.39
2019	6,072,256,099	267,020,149	6,339,276,248	5.39
2020	6,406,223,975	306,907,160	6,713,131,135	5.90

Source: Stanislaus County Assessor and Merced County Assessor.

The School District may not issue bonds in excess of 1.25 percent of the assessed valuation of taxable property within the former Turlock Joint Elementary School District plus 1.25 percent of the assessed valuation of taxable property within the former Turlock Joint Union High School District. The School District's gross bonding capacity in fiscal year 2019-20 is approximately $188.1 million. Upon issuance of the Bonds, the School District will have remaining bonding capacity of approximately $82.4 million*. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES—Article XIIIA of the State Constitution" herein.

Set forth in the following table is the historical assessed valuation by county for SFID No. 1.

Historical Total Assessed Valuation by County
School Facilities Improvement District No. 1 of the Turlock Unified School District

Year Ended June 30	Stanislaus County Assessed Value	Percent of Total	Merced County Assessed Value	Percent of Total	Total Assessed Value
2011	$4,548,661,210	98.0%	$93,880,301	2.0%	$4,642,541,511
2012	4,406,669,353	98.1	87,612,926	1.9	4,494,282,279
2013	4,223,226,340	97.9	89,655,657	2.1	4,312,881,997
2014	4,391,774,543	97.9	96,449,570	2.1	4,488,224,113
2015	4,833,303,302	97.9	102,684,099	2.1	4,935,987,401
2016	5,234,740,534	97.9	114,839,473	2.1	5,349,580,007
2017	5,576,347,850	97.7	131,281,492	2.3	5,707,629,342
2018	5,875,109,185	97.7	140,085,774	2.3	6,015,194,959
2019	6,189,444,391	97.6	149,831,857	2.4	6,339,276,248
2020	6,550,816,786	97.6	162,314,349	2.4	6,713,131,135

Source: Stanislaus County Assessor and Merced County Assessor.

The remaining tables under this caption "SECURITY AND SOURCE OF PAYMENT" have been prepared by California Municipal Statistics, Inc. They have been included for general information purposes only. The School District has not independently verified and does not guarantee the accuracy of the information in such tables.

Shown in the following table is the distribution of total assessed value among the cities and unincorporated areas encompassed by SFID No. 1 for fiscal year 2019-20.

Assessed Valuation by Jurisdiction
School Facilities Improvement District No. 1 of the Turlock Unified School District

Jurisdiction:	Assessed Valuation in School District	Percent of School District	Assessed Valuation of Jurisdiction	Percent of Jurisdiction in School District
City of Turlock	$6,228,179,055	92.78%	$7,114,600,697	87.54%
Unincorporated Merced County	162,314,349	2.42	13,752,958,888	1.18
Unincorporated Stanislaus County	322,637,731	4.81	16,426,330,300	1.96
Total District	$6,713,131,135	100.00%		
Merced County	$162,314,349	2.42%	$25,847,859,359	0.63%
Stanislaus County	6,550,816,786	97.58	52,473,457,587	12.48
Total District	$6,713,131,135	100.00%		

Source: California Municipal Statistics, Inc.

* Preliminary; subject to adjustment

Shown in the following table is a distribution of taxable real property located in SFID No. 1 by principal purpose for which the parcels are used along with the local secured assessed valuation (excluding homeowners' exemption) and number of parcels for each use for fiscal year 2019-20.

Assessed Valuation and Parcels by Land Use
School Facilities Improvement District No. 1 of the Turlock Unified School District

Non-Residential:	2019-20 Assessed Valuation[1]	Percent of Total	Number of Parcels	Percent of Total
Agricultural/Rural	$247,772,984	3.87%	711	3.39%
Commercial/Office	1,126,633,569	17.59	960	4.58
Vacant Commercial	74,593,718	1.16	180	0.86
Industrial	470,059,147	7.34	388	1.85
Vacant Industrial	41,373,306	0.65	475	2.26
Recreational	11,427,489	0.18	5	0.02
Government/Social/Institutional	396,305	0.01	204	0.97
Subtotal Non-Residential	$1,972,256,518	30.79%	2,923	13.93%
Residential:				
Single Family Residence	$3,810,284,097	59.49%	16,034	76.44%
Condominium	73,452,518	1.15	504	2.40
Mobile Home	16,561,184	0.26	452	2.15
Mobile Home Park	16,365,973	0.26	11	0.05
2-3 Residential Units	105,987,856	1.65	432	2.06
4+ Residential Units/Apartments	389,777,057	6.09	497	2.37
Miscellaneous Residential	309,383	0.00	3	0.01
Vacant Residential	19,713,346	0.31	121	0.58
Subtotal Residential	$4,432,451,414	69.21%	18,054	86.07%
Total	$6,404,707,932	100.00%	20,977	100.00%

[1]Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation of single-family homes within the boundaries of SFID No. 1 for fiscal year 2019-20.

Per-Parcel Assessed Valuation of Single-Family Homes
School Facilities Improvement District No. 1 of the Turlock Unified School District

	Number of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	16,034	$3,810,284,097	$237,638	$224,674

2019-20 Assessed Valuation	Number of Parcels[1]	Percent of Total	Cumulative Percent of Total	Total Valuation	Percent of Total	Cumulative Percent of Total
$0 - $24,999	17	0.106%	0.106%	$358,658	0.009%	0.009%
$25,000 - $49,999	243	1.516	1.622	9,716,919	0.255	0.264
$50,000 - $74,999	566	3.530	5.152	36,254,437	0.951	1.216
$75,000 - $99,999	713	4.447	9.598	62,385,507	1.637	2.853
$100,000 - $124,999	921	5.744	15.342	104,624,607	2.746	5.599
$125,000 - $149,999	1,321	8.239	23.581	181,712,533	4.769	10.368
$150,000 - $174,999	1,609	10.035	33.616	261,190,297	6.855	17.223
$175,000 - $199,999	1,432	8.931	42.547	268,656,442	7.051	24.274
$200,000 - $224,999	1,205	7.515	50.062	255,635,751	6.709	30.983
$225,000 - $249,999	1,227	7.652	57.715	291,512,725	7.651	38.634
$250,000 - $274,999	1,181	7.366	65.080	309,995,742	8.136	46.769
$275,000 - $299,999	1,248	7.783	72.864	358,926,034	9.420	56.189
$300,000 - $324,999	1,064	6.636	79.500	331,830,160	8.709	64.898
$325,000 - $349,999	818	5.102	84.601	275,619,048	7.234	72.132
$350,000 - $374,999	616	3.842	88.443	222,747,413	5.846	77.978
$375,000 - $399,999	502	3.131	91.574	193,997,068	5.091	83.069
$400,000 - $424,999	355	2.214	93.788	146,130,746	3.835	86.904
$425,000 - $449,999	282	1.759	95.547	123,315,191	3.236	90.141
$450,000 - $474,999	225	1.403	96.950	103,881,872	2.726	92.867
$475,000 - $499,999	151	0.942	97.892	73,566,803	1.931	94.798
$500,000 and greater	338	2.108	100.000	198,226,144	5.202	100.000
Total	16,034	100.000%		$3,810,284,097	100.000%	

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

Reassessments and Appeals of Assessed Value

State law allows for the appeal of a property's assessed value by property owners. Appeals may be based on Proposition 8 (1978) which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the State Constitution" herein.

Under State law, property owners in SFID No. 1 may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with a 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. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, 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 XIIIA.

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessors.

The School District can make no predictions as to the changes in assessed values within SFID No. 1 that might result from pending or future appeals of assessed valuation by taxpayers or temporary reductions in assessed valuation of property, as allowed under the State Constitution. Any reduction in aggregate assessed valuation within SFID No. 1 will cause the tax rate necessary to repay the Bonds to increase accordingly. Any refund of paid taxes triggered by a successful assessment appeal will be debited against all taxing agencies receiving such tax revenues, including SFID No. 1.

Tax Rates

The State Constitution permits the levy of an *ad valorem* property tax on taxable property not to exceed one percent of the property's full cash value, plus the amount necessary to make annual payments due on general obligation bonds or other indebtedness incurred prior to July 1, 1978, any bonded indebtedness for the acquisition or improvement or real property approved by a two-thirds majority of voters on or after July 1, 1978, and certain bonded indebtedness for school facilities approved by 55 percent of the voters. The Stanislaus County Auditor-Controller computes the additional rate of tax necessary to pay such scheduled debt service, presents the tax rates for all taxing jurisdictions in Stanislaus County to the Stanislaus County Board and directs the Merced County Auditor-Controller to place the tax on the tax rolls in Merced County.

The tax rate necessary to pay debt service in a given year largely depends on the net assessed value of taxable property in that year. The net assessed value of taxable property may be affected by several factors, such as a general market decline in property values, reclassification of property to a class exempt from taxation, such as property owned by federal, State and local agencies or property used for certain educational, hospital, charitable or religious purposes, or the destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, *etc*. Any of these instances could cause a reduction in the net assessed value of taxable property within SFID No. 1, necessitating a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax on each parcel. The following table shows *ad valorem* property tax rates per $100 of assessed value for the last five years in a typical tax rate area of SFID No. 1 (TRA 7-000). The fiscal year 2019-20 assessed valuation of TRA 7-000 is $1,332,142,619, approximately 19.84 percent of the total assessed value of taxable property in SFID No. 1.

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 7-000
School Facilities Improvement District No. 1 of the Turlock Unified School District

	2015-16	2016-17	2017-18	2018-19	2019-20
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Turlock Joint School District	0.012444	0.012212	0.011311	0.010330	0.009714
Turlock Joint Unified School District SFID	0.013526	0.008390	0.007817	0.039005	0.032663
Turlock Joint Unified School District	0.046445	0.035941	0.033215	0.055805	0.046133
Yosemite Community College District	0.021823	0.026920	0.023034	0.024068	0.023780
Total	$1.094238	$1.083463	$1.075377	$1.129208	$1.112290

Source: California Municipal Statistics, Inc.

The more property (by assessed value) that is owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and their ability or willingness to pay property taxes. In fiscal year 2019-20, no single taxpayer owned more than 2.24 percent of the total secured taxable property in SFID No. 1.

The 20 taxpayers in SFID No. 1 with the greatest combined secured assessed valuation of taxable property on the fiscal year 2019-20 tax roll own property that comprises 11.11 percent of the local assessed valuation of secured property in SFID No. 1. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the fiscal year 2019-20 secured tax roll and the amount of each owner's assessed valuation for all taxing jurisdictions within SFID No. 1 are shown in the following table.

Each taxpayer listed is a unique name on the tax rolls. The School District cannot determine from assessment records 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 list of largest taxpayers identified in the following table.

Largest Taxpayers
School Facilities Improvement District No. 1 of the Turlock Unified School District

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	Percent of Total[1]
1.	Excel Monte Vista LP	Shopping Center	$143,579,507	2.24%
2.	Doctors Medical Center of Modesto Inc.	Medical Buildings	86,588,686	1.35
3.	Foster Poultry Farms	Food Processing	65,552,158	1.02
4.	Mid Valley Dairy Turlock	Food Processing	42,902,180	0.67
5.	Sensient Dehydrated Flavors Inc.	Food Processing	40,854,301	0.64
6.	BREIT ACG MF Sierra Oaks LLC	Apartments	39,772,560	0.62
7.	Turlock Oak Park LLC	Apartments	38,444,173	0.60
8.	Amcal Stanislaus LLC	Apartments	32,598,581	0.51
9.	Supherb Farms	Food Processing	23,114,972	0.36
10.	IREIT Turlock Blossom Valley LLC	Shopping Center	23,054,743	0.36
11.	Costco Wholesale Corporation	Commercial	23,031,460	0.36
12.	Dairy Farmers of America	Food Processing	18,338,643	0.29
13.	Tivoli Boardwalk LLC	Apartments	18,115,858	0.28
14.	SFC Park Knolls Investors LP	Apartments	17,293,429	0.27
15.	Tapestry @ Silverwood LLC	Apartments	17,248,000	0.27
16.	Main Street Turlock LLC	Shopping Center	17,000,000	0.27
17.	Core Park Place LLC	Apartments	16,598,944	0.26
18.	Lowes HIW Inc.	Commercial	16,389,000	0.26
19.	Seasons at Turlock/Boise LLC	Assisted Living Facility	15,578,549	0.24
20.	Alan J. Vallarine	Professional Building	15,306,392	0.24
	Total		$711,362,136	11.11%

[1]Fiscal year 2019-20 local secured assessed valuation: $6,404,707,932.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Bonded Debt

Contained within the boundaries of SFID No. 1 are numerous overlapping local entities providing public services which may have outstanding long-term obligations in the form of general obligation, lease revenue and special assessment bonds. Such obligations generally are not payable from revenues of SFID No. 1 (except as indicated), nor are they necessarily obligations secured by land within SFID No. 1. 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 following table generally includes long-term obligations sold in the public credit markets by the public agencies listed. The first column in the table names each public agency which has outstanding debt as of August 1, 2020 and whose territory overlaps that of SFID No. 1 in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of SFID No. 1. This percentage, multiplied by the total outstanding debt of each overlapping agency (not shown) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in SFID No. 1. Property owners within SFID No. 1 may be subject to other special taxes and assessments levied by other taxing authorities providing services within SFID No. 1. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

Statement of Direct and Overlapping Bonded Debt (As of August 1, 2020)
School Facilities Improvement District No. 1 of the Turlock Unified School District

2019-20 Assessed Valuation: $6,713,131,135	Percent Applicable	Debt as of August 1, 2020
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Merced Community College District School Facilities Improvement District No. 1	0.488%	$132,712
Yosemite Community College District	9.296	23,808,456
Turlock Joint Unified School District and former High School District Bonds	78.683	44,558,183
Turlock Joint Unified School District former Elementary School Bonds	**100.000**	**5,175,000**
Turlock Unified School District School Facilities Improvement District No. 1	**100.000**	**29,225,000** [1]
City of Turlock Community Facilities District No. 1	100.000	1,665,000
California Statewide Communities Development Authority 1915 Act Bonds	100.000	208,680
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$104,773,031
OVERLAPPING GENERAL FUND DEBT:		
Stanislaus County Certificates of Participation	12.484%	$2,766,454
Stanislaus County Office of Education Certificates of Participation	12.484	230,954
Merced County Certificates of Participation	0.628	156,881
Merced County Office of Education Certificates of Participation	0.628	60,885
Turlock Joint Union High School District Certificates of Participation	78.683	3,759,650
TOTAL OVERLAPPING GENERAL FUND DEBT		$6,974,824
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$31,667,166
COMBINED TOTAL DEBT		$143,415,021 [2]

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($34,400,000)[3] 0.51%
Total Direct and Overlapping Tax and Assessment Debt ..1.56%
Combined Total Debt 2.14%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($):
Total Overlapping Tax Increment Debt 2.65%

[1]Excludes the Bonds to be sold.
[2]Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.
[3]Formerly Turlock Joint Elementary School District general obligation bonds which were assumed by Turlock Joint Unified School District upon unification of Turlock Joint Union High School District and Turlock Joint Elementary School District. The former Elementary School District is coterminous with Turlock Unified School District School Facilities Improvement District.
Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

In both Stanislaus County and Merced County, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction assessed as of January 1, at which time the tax lien attaches. The tax collector of Stanislaus County and the tax collector of Merced County (together, the "County Tax Collectors") are each presented with a tax roll created from the assessment rolls of the respective county assessor and the SBE. The County Tax Collectors prepare and mail tax bills to taxpayers and collect the taxes.

In both Stanislaus County and Merced County, property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent at 5:00 p.m. on December 10, after which time a ten percent penalty attaches. The second installment is due on February 1 and becomes delinquent at 5:00 p.m. on April 10, after which time a ten percent penalty plus a $10 cost attaches in Stanislaus County while a ten percent penalty plus a $20 cost attaches in Merced County. If taxes remain unpaid by 5:00 p.m. on June 30, the tax is deemed to be in default. After five years, Stanislaus County and Merced County generally have the power to sell tax-defaulted property that is not redeemed; the proceeds from such sale are applied to the payment of the delinquent taxes. Annual bills for property taxes on the unsecured roll are mailed no later than August 1. Taxes on the unsecured roll as of July 31, if unpaid are delinquent at 5:00 p.m. on August 31, and thereafter subject to a delinquent penalty of ten percent. Taxes added to the unsecured roll after July 31, if unpaid are delinquent and subject to a penalty of ten percent that attaches at 5:00 p.m., or the close of business, whichever is later, on the last day of the month succeeding the month of enrollment. Upon delinquency, Stanislaus County and Merced County may use the following collection methods: filing of liens, filing of summary judgments, seizure and sale of personal property, or seizure of State tax refunds or State lottery winnings.

The following table shows real property tax collections and delinquencies within SFID No. 1 in fiscal year 2019-19.

Secured Tax Charges and Delinquencies
School Facilities Improvement District No. 1 of the Turlock Unified School District

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent As of June 30	Percent Delinquent As of June 30
2018-19	$2,032,510.16	$13,254.28	0.65%

[1]Debt service levy for general obligation bonds of SFID No. 1 only.
Source: California Municipal Statistics, Inc.

As long as the Teeter Plan (as defined herein) remains in effect in both Stanislaus County and Merced County, SFID No. 1 will be credited with the full amount of the secured tax levy no matter the delinquency rate within SFID No. 1. See "—Alternative Method of Tax Apportionment" herein.

Alternative Method of Tax Apportionment

The Stanislaus County Board and the Merced County Board have both approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to the California Revenue and Taxation Code (the "Revenue and Taxation Code") Section 4701 *et seq*. The Teeter Plan guarantees distribution to each local agency in each county an amount equal to 100 percent of the *ad valorem* property taxes levied on their behalf on the secured roll within such county, with such county retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The cash position of the county treasurer of each county that has implemented the Teeter Plan is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In any given fiscal year, when the amount in a county's Tax Loss Reserve Fund exceeds a specified amount as prescribed by law, such excess amounts may be credited for the remainder of that fiscal year to such county's general fund. Amounts required to be maintained in the Tax Loss Reserve Fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect in a county unless the board of supervisors of such county orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1 for both Stanislaus County and Merced County), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in that county. The board of supervisors may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the county if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

If the Teeter Plan were discontinued in either Stanislaus County or Merced County, only those secured property taxes actually collected in the county that discontinued the Teeter Plan would be allocated to political subdivisions in such county, including SFID No. 1. Further, the tax revenues of SFID No. 1 would be subject to taxpayer delinquencies in such county, and SFID No. 1 would realize the benefit of interest and penalties collected from delinquent taxpayers in SFID No. 1, pursuant to law. As long as the Teeter Plan remains in effect in both Stanislaus County and Merced County, SFID No. 1 will be credited with the full amount of secured property tax levies no matter the delinquency rate within SFID No. 1.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes

Pursuant to Executive Order N-61-20 signed by the Governor of the State of California (the "Governor") on May 6, 2020 to alleviate the impact of the COVID-19 outbreak on State property taxpayers, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021, to the extent such provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest shall be cancelled under the conditions provided for in Executive Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to the COVID-19 pandemic. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Executive Order N-61-20 have on property tax revenues are unknown at this time. As long as the Teeter Plan remains in effect in Stanislaus County and Merced County, the School District will be credited with the full amount of secured property tax levies no matter the delinquency rate within the boundaries of SFID No. 1 (see "—Alternative Method of Tax Apportionment" herein).

The property tax collection procedures described above are subject to amendment based on legislation or executive order, including, but not limited to, Executive Order N-61-20, which may be enacted by the State legislature or declared by the Governor from time to time. The School District cannot predict changes in law or orders of State officials that might occur in the future, particularly with regard to actions that might be taken in an attempt to mitigate the impacts of the COVID-19 pandemic. See "DISCLOSURE RELATED TO COVID-19" herein.

DISCLOSURE RELATED TO COVID-19

Background

An outbreak of a respiratory disease caused by a new strain of coronavirus, COVID-19, was first detected in China in late 2019 and has subsequently spread globally. The World Health Organization declared the COVID-19 outbreak as a Public Health Emergency of International Concern on January 30, 2020, further characterizing the outbreak as a pandemic on March 11, 2020. As of August 7, 2020, the Center for Systems Science and Engineering at Johns Hopkins University reports there were more than 4.9 million confirmed cases of COVID-19 in the United States, of which more than 540,000 were located in the State.

Federal Actions

On March 6, 2020, President Trump signed a COVID-19 relief bill providing $8.3 billion in emergency funding to support development of vaccines and treatment, grants for state and local governments, preparedness activities for U.S. government facilities, and humanitarian foreign assistance. President Trump declared a national emergency on March 13, 2020, making available more than $50 billion in federal funds for disaster relief and assistance. The Families First Coronavirus Response Act of 2020 was signed into law on March 18, 2020, providing paid sick leave, free testing, expanded food assistance and unemployment benefits, and requiring additional protections for healthcare workers.

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") into law, authorizing more than $2 trillion to battle COVID-19 and its economic effects, including immediate cash relief for individual citizens, expanded unemployment insurance for workers, loan programs for small business (including $349 billion for the Paycheck Protection Program), additional funds for state and local governments, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries. The CARES Act designates approximately $31 billion for K–12 and higher education assistance and more than $4 billion for childcare and early education programs, including $13.5 billion to be distributed to states based on their state-level Title I allocation, with states passing on ninety percent of the funds to school districts and charter schools using the Title I formula; $3 billion for state governors to spend on K–12 or higher education in regions that have been hit hardest by COVID-19, $8.8 billion for child nutrition programs, $3.5 billion for child care and development block grants and $750 million for Head Start early education programs.

On April 9, 2020, the Federal Reserve took additional actions to provide up to $2.3 trillion in loans to support the economy. Such actions include supplying liquidity to participating financial institutions through term financing backed by Paycheck Protection Program loans, purchasing up to $600 billion in loans through the Main Street Lending Program, and establishing a Municipal Liquidity Facility that will offer up to $500 billion in lending to states and municipalities to help manage cash flow stresses caused by the COVID-19 pandemic.

On April 24, 2020, a new $484 billion federal aid package was signed, including an additional $310 billion for the Paycheck Protection Program, $60 billion for Small Business Administration disaster assistance loans and grants, $75 billion for hospitals and $25 billion to a new COVID-19 testing program.

State and Local Actions

On March 4, 2020, less than six weeks after the first confirmed case of COVID-19 in the State, the Governor declared a state of emergency, thereby making additional resources available, formalizing emergency actions already underway across multiple State agencies and departments, and helping the State prepare for the broader spread of COVID-19. The Governor issued Executive Order N-26-20 on March 13, 2020, ensuring California public school districts retain State funding even in the event of physical closure. The order directed school districts to use those State dollars to fund distance learning and high quality educational opportunities, provide school meals, continue to pay employees, and, as practicable, arrange for the supervision for students during school hours.

On March 17, 2020, the Governor signed Senate Bill 89 ("SB 89") appropriating $500 million from the State general fund for any purpose related to the Governor's March 4 emergency declaration. SB 89 allows additional funds to be appropriated in $50 million increments up to a total of not to exceed $1 billion. The Governor also signed Senate Bill 117 ("SB 117"), which, among other items, provides that, for all school districts that comply with Executive Order N-26-20, attendance during full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 also holds harmless school districts not meeting minimum instructional day and minute requirements during the academic year. Additionally, SB 117 appropriates $100 million for local educational agencies to purchase protective equipment and supplies and labor related to cleaning school sites as a result of COVID-19, to be allocated to local education agencies on the basis of average daily attendance ("ADA").

On March 18, 2020, the California Franchise Tax Board announced updated special tax relief for all State taxpayers due to the COVID-19 outbreak, postponing from April 15, 2020 until July 15, 2020 the filing and payment deadlines for all individuals and business entities for, among other items, 2019 tax returns and tax return payments.

On March 19, 2020, the Governor issued Executive Order N-33-20 ordering all State residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The shelter-in-place order went into effect immediately, thereby suspending classroom instruction indefinitely throughout the State, including District schools.

On April 14, 2020, the State presented its Pandemic Resilience Roadmap, a four-stage plan for modifying Executive Order N-33-20 regarding shelter-in-place guidelines, and defining the statewide status under the plan as being at Stage 1. On May 4, 2020, the Governor issued Executive Order N-60-20 directing the State's Public Health Officer to establish criteria to determine whether and how local jurisdictions may implement public health measures that depart from statewide directives. On May 7, 2020, the State's Public Health Officer released an order supporting the gradual movement of the State from Stage 1 to Stage 2 of the Pandemic Resilience Roadmap, enabling the flexible reopening of "lower risk" workplaces. The scope of the reopening may be expanded or reversed as necessary.

On July 17, 2020, the Governor announced statewide restrictions on the reopening of K-12 schools and issued updated State guidelines and requirements regarding both in-person and distance learning. Consistent with these restrictions, the California Department of Public Health issued a framework for when and how K-12 schools should reopen for in-person instructions. The Governor's plan focuses on five key points: reopening schools based on local health data, strong mask requirements, physical distancing requirements, regular testing and contact tracing and rigorous distance learning. According to the plan, schools located in counties on the State's county monitoring list (the "County Monitoring List") must not physically open for in-person instruction until their county has been off the County Monitoring List for 14 consecutive days.

Local jurisdictions within the State also issued their own shelter-in-place orders to slow the spread of COVID-19. On March 31, 2020, the Stanislaus County Public Health Officer adopted a stay-at-home order consistent with the State's Executive Order N-33-20, with subsequent modifications to the order on April 22, 2020 and May 5, 2020. On May 12, 2020, the Stanislaus County Public Health Officer issued a new order rescinding prior orders (except a preventative toolkit for long-term care facilities) and aligning Stanislaus County with the State's executive orders. Both Stanislaus County and Merced County are flagged on the statewide monitoring list, with Stanislaus County identified as having elevated disease transmission and Merced County identified as having elevated disease transmission and increasing hospitalization.

Impact on the School District

On March 15, 2020, the School District announced the closure of all schools from March 19, 2020 through April 19, 2020 due to the COVID-19 outbreak, on March 26, 2020, the closure was extended through May 1, 2020, and on April 1, 2020, the School District announced that its campuses would remain closed through the end of the traditional school year. During the closure period, the School District provided students and families with resources to enable quality learning opportunities.

Pursuant to SB 89 and SB 117, the School District received local control funding formula ("LCFF") funding in fiscal year 2019-20 based on its ADA through February 29, 2020, and was held harmless for not meeting minimum instructional day and minute requirements during the academic year. In addition to SB 89 and SB 117, existing State law also allows the School District to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and State instructional time penalties when they are forced to close schools due to emergency conditions. The School District experienced overall reduction in expenses in fiscal year 2019-20 as a result of the COVID-19 outbreak, mainly as a consequence of lower utility, transportation and substitute teacher costs associated with school closures. Such cost savings more than offset additional cleaning and sanitizing costs incurred by the School District as well as costs associated with implementing distance learning.

For fiscal year 2020-21, ADA for LCFF funding purposes will be based on the 2019-20 year, and local educational agencies, including the School District, are exempted from the annual minimum instructional minutes requirement. While minimum daily instructional minutes and minimum instructional day requirements are maintained, they may be met through a combination of in-person and distance learning instruction. See "FUNDING OF PUBLIC EDUCATION IN THE STATE—The 2020-21 State Budget" herein

The School District anticipates beginning the 2020-21 school year under a distance learning format. The School District is unable to predict the cost of implementing the State's guidelines to reopen school campuses, whether new proposals will be enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 will materially impact their finances or operations.

The School District expects to receive emergency federal funding of approximately $2.6 million under the CARES Act from the Elementary and Secondary School Emergency Relief ("ESSER") Fund to address costs which may have resulted from the COVID-19 outbreak response as well as an additional $11.7 million in one-time funds allocated from CARES Act moneys received by the State and other State sources.

The School District receives a significant portion of its revenues from State funds and local property taxes. The COVID-19 outbreak may result in a material change in the State's financial position. Declines in State revenues as a consequence of the COVID-19 outbreak could result in a corresponding decline in revenues available for the School District. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein. The School District cannot predict the outbreak's extent or duration or what impact the outbreak as well as responses by federal, State or local authorities may have on the School District's financial condition.

Notwithstanding the impact that the COVID-19 outbreak may have on the economy in the State and the School District's financial condition, the Bonds are payable from the proceeds of an *ad valorem* property tax, approved by the voters within SFID No. 1 pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by

Stanislaus County and Merced County on all taxable property within the boundaries of SFID No. 1 in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein. The School District cannot predict the outbreak's extent or duration or what impact the outbreak may have on the assessed value of real property or property tax collections by Stanislaus County and Merced County within the boundaries of SFID No. 1.

STANISLAUS COUNTY TREASURY POOL

This section provides a general description of the Stanislaus County Investment Policy and current portfolio holdings. The information set forth under this section relating to the Stanislaus County Treasury Pool has been obtained from the Stanislaus County Treasurer and is believed to be reliable but is not guaranteed as to accuracy or completeness. The School District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting Stanislaus County, Office of the County Treasurer, 1010 Tenth Street, Suite 2500, Modesto, California 95354, telephone (209) 525-6388.

The Stanislaus County Treasurer manages the Stanislaus County Treasury Pool (the "Stanislaus County Pool") in which certain funds of Stanislaus County and certain funds of other participating entities are pooled and invested pending disbursement. General participants are those government agencies within Stanislaus County, including SFID No.1 and the School District, for which the Stanislaus County Treasurer is statutorily designated as the custodian of such funds. The Stanislaus County Treasurer is the *ex officio* treasurer of each of these participating entities, and such entities are legally required to deposit their cash receipts and revenues in the Stanislaus County Treasury. Under State law, withdrawals are allowed only to pay for expenses that have become due. The governing board of each school district and special district within Stanislaus County may allow, by appropriate board resolution, certain withdrawals of non-operating funds for purposes of investing outside the Stanislaus County Pool. Some school districts have from time to time authorized the Stanislaus County Treasurer to purchase specified investments for certain school district funds to mature on predetermined future dates when cash would be required for disbursements. Other local agencies, such as special districts and cities for which the Stanislaus County Treasurer is not the statutorily designated fund custodian, may participate in the Stanislaus County Pool. Such participation is subject to the consent of the Stanislaus County Treasurer and must be in accordance with State law.

Funds held in the Stanislaus County Pool are invested by the Stanislaus County Treasurer in accordance with State law and the Stanislaus County Investment Policy, which is prepared by the Stanislaus County Treasurer and approved by the Stanislaus County Board. A copy of the Stanislaus County Investment Policy is attached hereto as "APPENDIX D." The Stanislaus County Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The School District will maintain or cause to be maintained detailed records with respect to the applicable proceeds.

The Stanislaus County Pool is invested in order to earn a reasonable return while awaiting application for governmental purposes. The specific objectives for the Stanislaus County Pool are ranked in order of importance: safety of principal, liquidity and yield. The yield to maturity of the Stanislaus County Pool for the month ending May 31, 2020 was 1.90 percent, with weighted average maturity of 420 days.

A summary description of the composition of the Stanislaus County Pool from the monthly investment report as of May 31, 2020 is provided in the following table.

Stanislaus County Treasury Pool
As of May 31, 2020

Investments	Dollar Cost	Market Value	Percent of Portfolio	Policy Limit	Average Days to Maturity	YTM 360 Equiv.
Negotiable Certificate of Deposit	$60,013,879.59	$60,167,650.00	3.65%	30.00%	110	1.48%
Commercial Paper	124,023,248.61	124,916,700.00	7.54	40.00	86	1.37
Managed Pool – LAIF	65,000,000.00	65,486,265.98	3.95		1	1.28
Managed Pool – CAMP	300,000,000.00	300,210,000.00	18.23		1	0.55
Agencies	377,902,414.44	385,986,041.60	22.97		892	2.02
Treasuries	353,800,503.61	361,754,950.00	21.49		363	2.53
Medium Term Notes	364,746,465.56	374,162,395.08	22.17	30.00	570	2.65
Money Market	0.00	0.00	0.00			
Total Investments	$1,645,486,511.81	$1,672,684,002.66	100.00%		420	1.90%
Cash/Bank Balances	70,855,395.04	70,855,395.04				
Total	$1,716,341,906.85	$1,743,539,397.70				

Source: Stanislaus County Treasurer.

Neither the School District nor the Underwriter has made an independent investigation of the investments in the Stanislaus County Pool and has made no assessment of the current Stanislaus County Investment Policy. The value of the various investments in the Stanislaus County 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 Stanislaus County Treasurer, upon the approval by the Stanislaus County Board, may change the Stanislaus County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Stanislaus County Pool will not vary significantly from the values described therein.

CITY AND COUNTY ECONOMIC PROFILE

The information in this section concerning the economy of the City of Turlock and Stanislaus County is provided as supplementary information only and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem *property tax, approved by the voters within SFID No. 1 pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by Stanislaus County and Merced County on all taxable property within SFID No. 1 in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

Stanislaus County, incorporated in 1854, is located in the center of the State's Central Valley, approximately 100 miles east of the San Francisco Bay Area. Comprised of approximately 1,515 square miles, Stanislaus County is one of the top ten agricultural producers in the State, with almonds as its principal commodity, followed by milk. Stanislaus County has nine incorporated cities. Based on data compiled by CoreLogic, Inc., the median sale price of a single-family home in Stanislaus County was $345,000 in June 2020, an increase of approximately 9.5 percent from $315,000 in June 2019.

The City of Turlock, founded in 1871 and comprised of approximately 17 square miles, is the second largest city in Stanislaus County. Based on data compiled by CoreLogic, Inc., the median sale price of a single-family home in the City was $354,250 in June 2020, an increase of approximately 7.8 percent from $328,500 in June 2019.

Population

The following table displays estimated population as of January 1 for the past five years for the City, Stanislaus County and the State.

Historical Population
City of Turlock, Stanislaus County, and the State of California

	2016	2017	2018	2019	2020
City of Turlock	72,366	73,358	73,609	73,874	74,297
Stanislaus County	539,515	547,347	550,964	554,018	557,709
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

Source: State Department of Finance.

Personal Income

Total personal income includes income from all sources including wages, proprietor's income, dividends, interest, rents and government benefits received by residents in the region. *Per capita* personal income ("PCPI") was $44,120 in Stanislaus County in 2018, an increase of 4.2 percent from 2017 levels, compared to an increase of 5.7 percent statewide and 4.9 percent nationally. The following table shows PCPI for Stanislaus County as well as for the State and the United States for the past five calendar years for which data is available.

***Per Capita* Personal Income**
Stanislaus County, State of California and United States

	2014	2015	2016	2017	2018
Stanislaus County	$38,609	$41,011	$41,417	$42,354	$44,120
State of California	52,324	55,758	57,739	60,156	63,557
United States	47,058	48,978	49,870	51,885	54,446

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

Labor Force and Employment

The following table contains a summary of the City's historical unemployment data for the past five calendar years and for the most recent month available in the current calendar year, not seasonally adjusted.

Historical Unemployment
City of Turlock

	Annual 2015	Annual 2016	Annual 2017	Annual 2018	Annual 2019[1]	June 2020[1]
Total Labor Force	33,800	33,600	33,600	33,700	33,800	32,500
Number of Employed	30,900	31,500	31,800	32,100	32,300	28,300
Number of Unemployed	2,900	2,200	1,900	1,600	1,600	4,200
Unemployment Rate	8.5%	6.5%	5.6%	4.9%	4.6%	13.0%

[1]Preliminary.
Source: State Employment Development Department.

The following table contains a summary of Stanislaus County's historical unemployment data for the past five calendar years and for the most recent month available in the current calendar year, not seasonally adjusted.

Historical Unemployment
Stanislaus County

	Annual 2015	Annual 2016	Annual 2017	Annual 2018	Annual 2019[1]	June 2020[1]
Total Labor Force	240,900	242,700	242,200	243,400	243,500	235,800
Number of Employed	218,000	221,800	224,100	227,500	228,800	200,400
Number of Unemployed	22,900	20,900	18,100	15,800	14,700	35,400
Unemployment Rate	9.5%	8.6%	7.5%	6.5%	6.0%	15.0%

[1]Preliminary.
Source: State Employment Development Department.

Employment by Industry

The following table shows labor patterns by type of industry from calendar years 2015 through 2019 by annual average, not seasonally adjusted, in Stanislaus County.

Historical Employment by Industry
Stanislaus County[1]

	2015	2016	2017	2018	2019
Total, All Industries	181,000	186,300	189,200	193,600	195,900
Total Farm	14,600	14,900	14,300	14,400	14,800
Total Nonfarm	166,400	171,500	174,800	179,200	181,100
Total Private	139,700	143,900	146,500	149,700	150,900
Goods Producing	29,800	30,700	30,800	31,700	31,800
Mining, Logging, and Construction	8,500	9,000	9,300	10,200	10,500
Manufacturing	21,300	21,800	21,400	21,600	21,400
Durable Goods	6,300	6,200	6,000	5,800	5,600
Nondurable Goods	15,100	15,600	15,500	15,800	15,800
Service Providing	136,600	140,800	144,100	147,500	149,300
Private Service Providing	110,000	113,200	115,700	117,900	119,100
Trade, Transportation & Utilities	35,800	37,000	37,100	37,500	37,800
Wholesale Trade	5,800	6,000	6,100	6,300	6,200
Retail Trade	22,400	22,700	23,200	23,200	22,800
Transportation, Warehousing & Utilities	7,500	8,200	7,700	8,000	8,800
Information	900	1,000	1,000	1,000	1,000
Financial Activities	5,200	5,300	5,300	5,300	5,300
Professional & Business Services	14,200	14,600	14,900	15,400	15,300
Educational & Health Services	30,900	31,200	32,600	33,600	34,500
Leisure & Hospitality	17,800	18,700	19,200	19,300	19,200
Other Services	5,300	5,400	5,700	5,800	5,900
Government	26,700	27,600	28,300	29,500	30,200
Federal Government	800	800	800	800	800
State & Local Government	25,900	26,800	27,500	28,700	29,400

[1]Data is reported for Modesto Metropolitan Statistical Area which is comprised of Stanislaus County.
Figures may not foot due to rounding.
Source: State Employment Development Department.

Major Employers

The following table provides a list of 10 principal employers, corresponding number of employees and percent of total employment in Stanislaus County for fiscal year 2018-19.

Principal Employers
Stanislaus County

Employer	Number of Employees	Percent of Total County Employment
E& J Gallo Winery	6,700	2.89%
Stanislaus County	4,048	1.75
Modesto City Schools	3,200	1.38
Doctors Medical Center	2,600	1.12
Memorial Medical Center	2,400	1.04
Foster Farms	2,200	0.95
Del Monte Foods	2,010	0.87
Stanislaus Food Products	1,875	0.81
Save Mart Supermarkets	1,650	0.71
Turlock Unified School District	1,500	0.65
Total	28,183	12.17%
Total all other	203,417	87.83
Total companies or organizations	231,600	100.00%

Source: Stanislaus County, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Commercial Activity

Total taxable sales during calendar year 2019 in the City were $1,354,745,469, a 2.2 percent increase from total taxable sales of $1,325,541,433 during calendar year 2018.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (in thousands of dollars) in the City for the past five calendar years are presented in the following table.

Taxable Retail Sales
City of Turlock

	2015	2016	2017	2018	2019
Sales Tax Permits	1,689	1,776	1,779	1,855	1,937
Taxable Sales (000's)	$1,215,505	$1,252,183	$1,295,061	$1,325,541	$1,354,745

Source: California Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in Stanislaus County were $9,661,771,579, a 3.9 percent increase from the total taxable sales of $9,298,940,774 during calendar year 2018.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (in thousands of dollars) in Stanislaus County for the past five calendar years are presented in the following table.

Taxable Retail Sales
Stanislaus County

	2015	2016	2017	2018	2019
Sales Tax Permits	10,898	11,248	11,210	11,647	12,084
Taxable Sales (000's)	8,240,827	8,742,754	8,972,620	$9,298,941	$9,661,772

Source: California Department of Tax and Fee Administration.

Construction Activity

Estimated new privately-owned residential housing units authorized by building permits and total construction costs in Stanislaus County for the past five calendar years are shown in the following table.

New Residential Building Permits
Stanislaus County

	2015	2016	2017	2018	2019
Single-Family Residential Units	413	573	644	684	611
Multi-Family Residential Units	0	0	75	75	88
Total New Building Permits	413	573	719	759	699
Total Construction Costs (000's)	$93,426,404	$116,155,714	$170,165,090	$155,768,448	$160,557,218

Source: U.S. Bureau of the Census, Building Permit Estimates.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1

SFID No. 1 was established by the School Board on July 6, 2006 pursuant to the provisions of State law, specifically Chapter 2 of Part 10 of the Education Code Section 15300 *et seq*., for the purpose of holding a bond election within the boundaries of SFID No. 1. The formation of SFID No. 1 allows the School District to finance school capital improvements from *ad valorem* property taxes levied only against property located within the designated boundaries of SFID No. 1, which consists of all of the territory located within the boundaries of the former Turlock Joint Elementary School District. SFID No. 1 encompasses approximately 30 square miles, including the incorporated area of the City of Turlock and certain unincorporated areas lying along Highway 99, one of the main routes linking the Central San Joaquin Valley to the City of Los Angeles to the south and the City of Sacramento, the State capital, to the north.

The School Board has the same rights, powers, duties and responsibilities with respect to the formation and governance of SFID No. 1 as it has with respect to the School District. SFID No. 1 has no legal authority beyond the issuance of approved bonds and taxation therefor.

THE SCHOOL DISTRICT

It should not be inferred from the inclusion of the information in this section concerning the operations of the School District and its finances that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem *property tax, approved by the voters within SFID No. 1 pursuant to applicable laws and State*

Constitutional requirements, and required to be levied and collected by Stanislaus County and Merced County on all taxable property within SFID No. 1 in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

All tables in this section "THE SCHOOL DISTRICT" are from the School District unless a source is otherwise indicated.

General Information

The School District, a political subdivision of the State, was established in 2004 upon the unification of Turlock Joint Elementary School District and Turlock Joint Union High School District. The School District encompasses approximately 100 square miles, approximately 98 percent of which is located in the south-central portion of Stanislaus County, with the remaining portion located in the north-central portion of Merced County. The territory covered by the School District includes the City of Turlock and certain unincorporated areas on either side of Highway 99, a main route linking the central San Joaquin Valley to the City of Los Angeles to the south and the City of Sacramento, the State capital, to the north. The School District serves a population of approximately 86,280 people.

The School District provides education to approximately 13,900 students in transitional kindergarten through twelfth grade as well as additional students in adult education and a charter school. The School District operates nine elementary schools, one grade 6-8 middle school, one grade 7-8 junior high school, two comprehensive high schools, one continuation high school, one fiscally dependent K-12 charter school, and an adult school.

The School Board of Trustees and Key Administrative Personnel

The School Board governs all activities related to public education within the jurisdiction of the School District. The School Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the School District.

The School Board consists of seven members. Each member of the School Board is elected by the public by area for a four-year term of office. Elections for the School Board are held every two years, alternating between three and four positions available. A president of the School Board is elected by the members each year.

The members of the School Board, together with their office and the date their current term expires, are set forth in the following table.

School Board of Trustees
Turlock Unified School District

Name	Title	Term Expires
Lori Carlson	President	December 2022
Frank M. Lima	Clerk	December 2020
Jeffrey Cortinas	Member	December 2022
Miranda Chalabi	Member	December 2020
Mary Jackson	Member	December 2022
Ken Malech	Member	December 2020
Anthony Silva	Member	December 2020

The Superintendent of the School District is appointed by and reports to the School Board. The Superintendent is responsible for managing the School District's day-to-day operations and supervising the work of other key School District administrators. The current members of the School District's administration and positions held are set forth on page "iv" of this Official Statement.

Enrollment

Student enrollment determines to a large extent the amount of funding a State public school district receives for program, facilities and staff needs. ADA is a measurement of the number of pupils attending classes of the School 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. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-school district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. The ADA as of the last day of the last full attendance month concluding prior to April 15 ("P-2 ADA") is used by the State as the basis for State apportionments. SB 117 provides that for school districts that comply with State requirements, only attendance during full school months from July 1, 2019 to and including February 29, 2020, will be reported for apportionment purposes for fiscal year 2019-20. See "DISCLOSURE RELATED TO COVID-19" herein.

Set forth in the following table is the historical and current fiscal year estimated P-2 ADA for the School District.

Average Daily Attendance
Turlock Unified School District

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20[2]	2020-21[3]
P-2 ADA[1]	13,166	13,208	13,242	13,312	13,356	13,357	13,341

[1]Excluding charter school average daily attendance.
[2]Unaudited
[3]Budgeted.

Charter Schools

There are two charter schools operating within the School District, eCademy Charter at Crane, serving approximately 138 students in transitional kindergarten through twelfth grade in fiscal year 2019-20, and Fusion Charter School, serving approximately 125 students in seventh through twelfth grade in fiscal year 2019-20. The eCademy Charter at Crane is fiscally dependent on the School District. The eCademy Charter at Crane operates, to a certain extent, under the financial control of the School District, with its financial activities presented in the School District's financial statements. See "APPENDIX A" attached hereto. Fusion Charter is fiscally independent of the School District, and its financial activities are not presented in the School District's financial statements.

Charter schools can adversely affect school district funding, either by reducing funded enrollment at the school district or, for community-funded school districts, by increasing the in-lieu property tax transfer. However, certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. Pursuant to Proposition 39, school districts are required to provide facilities reasonably equivalent to those provided to regular school district students for charter schools having a projected average daily attendance of at least 80 or more students from that school district.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units which then may be represented by an exclusive bargaining agent. The School District has three recognized bargaining units representing its non-management employees. The Turlock Teachers Association ("TTA") is the exclusive bargaining unit for the non-management certificated personnel of the School District. The California School Employees Association, Chapter #56 ("CSEA #56") is the exclusive bargaining unit for the non-management classified, paraprofessional, operations and support services employees of the School District. The Turlock Federation of Classified Employees ("TFCE") is the exclusive bargaining unit for the non-management classified, clerical employees of the School District.

Set forth in the following table are the School District's bargaining units, number of full-time equivalents ("FTEs") budgeted for fiscal year 2020-21 and contract status.

Bargaining Units, Number of Employees and Contract Status
Turlock Unified School District

Bargaining Unit	Full-Time Equivalents	Contract Status
TTA	726	In negotiations for fiscal year 2020-21
CSEA #56	516	In negotiations for fiscal year 2020-21
TFCE	148	In negotiations for fiscal year 2020-21

The School District has an additional 96 management and confidential FTEs not represented by a bargaining unit budgeted for fiscal year 2020-21.

Impact of COVID-19 on the School District

On March 15, 2020, the School District announced the closure of all schools from March 19, 2020 through April 19, 2020 due to the COVID-19 outbreak, on March 26, 2020, the closure was extended through May 1, 2020, and on April 1, 2020, the School District announced that its campuses would remain closed through the end of the traditional school year. During the closure period, the School District provided students and families with resources to enable quality learning opportunities.

Pursuant to SB 89 and SB 117, the School District received LCFF" funding in fiscal year 2019-20 based on its ADA through February 29, 2020, and was held harmless for not meeting minimum instructional day and minute requirements during the academic year. In addition to SB 89 and SB 117, existing State law also allows the School District to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and State instructional time penalties when they are forced to close schools due to emergency conditions. The School District experienced overall reduction in expenses in fiscal year 2019-20 as a result of the COVID-19 outbreak, mainly as a consequence of lower utility, transportation and substitute teacher costs associated with school closures. Such cost savings more than offset additional cleaning and sanitizing costs incurred by the School District as well as costs associated with implementing distance learning.

For fiscal year 2020-21, ADA for LCFF funding purposes will be based on the 2019-20 year, and local educational agencies, including the School District, are exempted from the annual minimum instructional minutes requirement. While minimum daily instructional minutes and minimum instructional day requirements are maintained, they may be met through a combination of in-person and distance learning instruction. See "FUNDING OF PUBLIC EDUCATION IN THE STATE—The 2020-21 State Budget" herein

The School District anticipates beginning the 2020-21 school year under a distance learning format. The School District is unable to predict the cost of implementing the State's guidelines to reopen school campuses, whether new proposals will be enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 will materially impact their finances or operations.

The School District expects to receive emergency federal funding of approximately $2.6 million under the CARES Act from the ESSER" Fund to address costs which may have resulted from the COVID-19 outbreak response as well as an additional $11.7 million in one-time funds allocated from CARES Act moneys received by the State and other State sources.

The School District receives a significant portion of its revenues from State funds and local property taxes. The COVID-19 outbreak may result in a material change in the State's financial position. Declines in State revenues as a consequence of the COVID-19 outbreak could result in a corresponding decline in revenues available for the School District. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein. The School District cannot predict the outbreak's extent or duration or what impact the outbreak as well as responses by federal, State or local authorities may have on the School District's financial condition. See "DISCLOSURE RELATED TO COVID-19" herein.

Pension Plans

All full-time employees of the School District, as well as certain part-time employees, are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Qualified certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Qualified classified employees are eligible to participate in the cost-sharing multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

The School District accounts for its pension costs and obligations pursuant to *Governmental Accounting Standards Board* ("GASB") *Statement No. 67, Financial Reporting for Pension Plans* ("GASB 67") and *Statement No. 68, Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 requires an employer that provides a defined benefit pension, such as the School District, to recognize and report its long-term obligation for pension benefits as a liability as it is earned by employees. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE YEAR ENDED JUNE 30, 2019" attached hereto.

STRS—Description and Contributions. STRS operates under the Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of State public schools meeting the eligibility requirements. STRS provides retirement, disability and death benefits to beneficiaries. Benefits are based on members' hire date, 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.

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. This resulted in the combined employer, employee and State contributions to the STRS Defined Benefit Program not being sufficient to pay actuarially required amounts. As a result, and due to significant investment losses and changes in actuarial assumptions by STRS, the unfunded actuarial liability of the STRS Defined Benefit Program had increased significantly. 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 in 2014 to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25 percent of eligible salary expenditures to the STRS Defined Benefit Program, while participants contributed 8.0 percent of their respective salaries. On June 24, 2014, former Governor Brown signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 sought 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 on July 1, 2014, the employee contribution rate increased over a three-year phase-in period. Pursuant to the California Public Employees' Pension Reform Act of 2013, the contribution rates for members hired after January 1, 2013 will be adjusted if the normal cost increases by more than one percent since the last time the member contribution was set. The following table sets forth STRS member contribution rates for the past six years and the current year.

Member Contribution Rates
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired On or after January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205
July 1, 2017	10.250	9.205
July 1, 2018	10.250	10.205
July 1, 2019	10.250	10.205
July 1, 2020	10.250	10.205

Sources: AB 1469 and STRS.

Pursuant to AB 1469, K-14 school districts' contribution rates will increase over a seven-year phase in period in accordance with the schedule set forth in the following table.

Employer Contribution Rates
STRS (Defined Benefit Program)

Effective Date	K-14 School Districts[1]
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 [2]
July 1, 2020	19.10 [2]

[1]Percentage of eligible salary expenditures to be contributed.
[2]The State budget for fiscal year 2019-20 (the "2019-20 State Budget") provided supplemental payments to STRS to reduce the unfunded actuarial obligation of STRS and reduce contribution rates for employers and the State. Based on the additional amounts paid to STRS by the State, the employer contribution rate for fiscal year 2019-20 was reduced from 18.13 percent to 17.10 percent, and the employer contribution rate for fiscal year 2020-21 was reduced from 19.10 percent to 18.40 percent. The State budget for fiscal year 2020-21 (the "2020-21 State Budget") further reduces the employer contribution rate for fiscal year 2020-21 to 16.15 percent.
Sources: AB 1469, the 2019-20 State Budget and the 2020-21 State Budget.

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 one percent 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 percent. 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 the 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.

The State also contributes to STRS, currently in an amount equal to 8.328 percent of covered STRS member payroll for fiscal year 2020-21. The State's contribution reflects a base contribution rate of 2.017 percent plus 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 percent 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 percent of the purchasing power of their initial allowance.

The School District's actual STRS contributions for fiscal years 2011-12 through 2018-19, estimated STRS contributions for fiscal year 2019-20 and budgeted STRS contributions for fiscal year 2020-21 are set forth in the following table.

STRS Employer Contributions
Turlock Unified School District

Fiscal Year	School District Contribution Rate	School District Contributions[1]	Total School District Governmental Funds Expenditures	School District Contributions as Percentage of Total Governmental Funds Expenditures
2011-12	8.25%	$4,680,325	$129,583,461	3.61%
2012-13	8.25	4,573,471	144,878,525	3.16
2013-14	8.25	4,942,744	132,746,147	3.72
2014-15	8.88	5,496,799	144,018,631	3.82
2015-16	10.73	6,894,493	150,697,747	4.58
2016-17	12.58	8,477,486	166,109,010	5.10
2017-18	14.43	9,992,905	177,569,408	5.63
2018-19	16.28	12,440,831	213,923,870	5.82
2019-20	17.10	23,132,982 [2]	231,726,814	9.98 [2]
2020-21	16.15	20,214,456 [4]	229,742,397	8.80 [4]

[1]In each instance equal to 100 percent of the required contribution.
[2]Estimated.
[3]Includes State on-behalf payment of $9,606,496. Excluding the State on-behalf payment would reduce the School District contribution as percentage of total governmental funds expenditures in fiscal year 2019-20 to 5.83 percent.
[4]Budgeted.
[5]Includes State on-behalf payment of $7,617,191. Excluding the State on-behalf payment would reduce the School District contribution as percentage of total governmental funds expenditures in fiscal year 2020-21 to 5.48 percent.

PERS—Description and Contributions. All full-time classified employees of the School District as well as certain part-time classified employees participate in PERS, which provides retirement and disability benefits as well as death benefits to plan members and beneficiaries. Benefits are based on members' hire date, years of service credit, a benefit factor and the member's final compensation.

Pursuant to Government Code Section 20840 *et seq*., PERS is authorized to create risk pools for public agencies, combining assets and liabilities across employers in large risk-sharing pools to help reduce the large fluctuations in the employer's contribution rate caused by unexpected demographic events. The "Schools Pool" provides identical retirement benefits to nearly all classified school employees in the State.

Members in the PERS Schools Pool hired on or before December 31, 2012, with five years of total service are eligible to retire at age 55 with benefits equal to 2.0 percent of final compensation for each year of service credit. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 with benefits equal to 2.0 percent of final compensation for each year of service credit. All members in the PERS Schools Pool are eligible for non-duty disability benefits after five years of service. Active plan members with an enrollment date prior to January 1, 2013 are required to contribute 7.0 percent of their salary. Active plan members with an enrollment date on or after January 1, 2013 are required to contribute the greater of 50 percent of normal costs or 6.0 percent of their salary—for fiscal year 2020-21 their contribution rate is also 7.0 percent.

State law requires that the PERS employer contribution rate be determined on an annual basis through an actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employee.

The School District's actual PERS contributions for fiscal years 2011-12 through 2018-19, estimated PERS contributions for fiscal year 2019-20 and budgeted PERS contributions for fiscal year 2020-21 are set forth in the following table.

PERS Employer Contributions
Turlock Unified School District

Fiscal Year	School District Contribution Rate	School District Contributions[1]	Total School District Governmental Funds Expenditures	School District Contributions as Percentage of Total Governmental Funds Expenditures
2011-12	10.923%	$1,943,954	$129,583,461	1.50%
2012-13	11.417	2,066,601	144,878,525	1.43
2013-14	11.442	2,059,277	132,746,147	1.55
2014-15	11.771	2,352,910	144,018,631	1.63
2015-16	11.847	2,604,520	150,697,747	1.73
2016-17	13.888	3,208,666	166,109,010	1.93
2017-18	15.531	3,841,192	177,569,408	2.16
2018-19	18.062	4,953,669	213,923,870	2.32
2019-20[2]	19.721	5,977,905	231,726,814	2.58
2020-21[3]	20.700 [4]	6,432,854	229,742,397	2.80

[1]In each instance equal to 100 percent of the required contribution.
[2]Estimated.
[3]Budgeted.
[4]The 2020-21 State Budget provides supplemental payments to the PERS Schools Pool to reduce employer contribution rates for fiscal year 2020-21 from 22.68 percent to 20.700 percent.

Unfunded Liabilities and Pension Expense Reporting. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these liabilities will vary depending on actuarial assumptions, returns on investment, salary scales and participant contributions. The actuarial funding method used in the STRS actuarial valuation as of June 30, 2019 is the entry age normal cost method, and assumes, among other things, a 7.0 percent investment rate of return, 3.0 percent interest on member accounts, projected 2.75 percent inflation, and projected payroll growth of 3.5 percent.

The following table shows the statewide funding progress of the STRS plan for the previous nine years.

Funding Progress
California State Teachers' Retirement System (STRS)[1]

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2011	$143,930	$208,405	$64,475	69%	$26,592	242%
2012	144,232	215,189	70,957	67	26,404	269
2013	148,614	222,281	73,667	67	26,483	278
2014	158,495	231,213	72,718	69	26,398	275
2015	165,553	241,753	76,200	69	28,640	266
2016	169,976	266,704	96,728	64	30,324	319
2017	179,689	286,950	107,261	63	31,961	336
2018	190,451	297,603	107,152	64	32,613	329
2019	205,016	310,719	105,703	66	n/a	n/a

[1]Dollars in millions.
Sources: California State Teachers' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019; California State Teachers' Retirement System, Defined Benefit Program Actuarial Valuation for Fiscal Year Ended June 30, 2019.

The School District's proportionate share of the State STRS net pension liability as reported in the audited financial statements for fiscal years 2014-15, the first year for which the data was provided, through 2018-19 are set forth in the following table.

Proportionate Share of the Net Pension Liability—STRS
Turlock Unified School District

Fiscal Year	Proportion of Statewide Net Pension Liability	Proportionate Share of Statewide Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2014-15	0.1340%	$78,305,580	$57,827,047	135.41%	77%
2015-16	0.1306	87,945,115	59,911,984	146.79	74
2016-17	0.1282	103,681,340	61,900,890	167.50	70
2017-18	0.1266	117,081,605	67,388,601	173.74	69
2018-19	0.1285	118,064,587	69,250,901	170.49	71

The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 PERS Schools Actuarial Valuation") is the entry age normal cost method, and assumes, among other things, a 7.25 percent investment rate of return, 2.625 percent annual inflation and 2.875 percent annual payroll growth.

In December 2016, PERS approved a plan to reduce the assumed investment rate of return from 7.5 percent to 7.0 percent over a three-year period. Based on the 2018 PERS Schools Actuarial Valuation, the three-year phased in reduction of the discount rate is currently projected to result in a 26.6 percent employer contribution rate by fiscal year 2024-25. Such projections contained in the 2018 PERS Schools Actuarial Valuation assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projected period.

The following table shows the statewide funding progress of the PERS Schools Pool for the previous nine years.

Funding Progress
Public Employees' Retirement System (PERS) Schools Pool[1]

Actuarial Valuation Date as of June 30	Market Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2011	$45,901	$58,358	$12,457	78.7%	$10,540	118.2%
2012	44,854	59,439	14,585	75.5	10,242	142.4
2013	49,482	61,487	12,005	80.5	10,424	115.2
2014	56,838	65,600	8,761	86.6	11,294	77.6
2015	56,814	73,325	16,511	77.5	12,098	136.5
2016	55,785	77,544	21,759	71.9	13,022	167.1
2017	60,865	84,416	23,551	72.1	13,683	172.1
2018	64,846	92,071	27,225	70.4	14,234	191.3
2019 [2]	68,177	99,528	31,351	68.5	n/a	n/a

[1]Dollars in millions.
[2]Based on the April 21, 2020 Agenda Item for the CalPERS Finance and Administration Committee.
Source: California Public Employees' Retirement System, Schools Pool Actuarial Valuation as of June 30, 2018, except as otherwise indicated.

The School District's proportionate share of the State PERS Schools Pool net pension liability for the past five years as reported in its audited financial statements are set forth in the following table.

Proportionate Share of the Net Pension Liability—PERS Schools Pool
Turlock Unified School District

Fiscal Year	Proportion of Statewide Net Pension Liability	Proportionate Share of Statewide Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2014-15	0.1770%	$20,093,810	$16,645,910	120.71%	83%
2015-16	0.1789	26,353,721	17,997,524	146.43	79
2016-17	0.1835	36,237,590	19,989,041	181.29	74
2017-18	0.1817	43,364,927	23,103,874	187.77	72
2018-19	0.1856	49,477,549	24,732,419	200.05	71

For the year ended June 30, 2019, the School District's combined recognized pension expense (net of the State on-behalf STRS payment) was $23,314,680. The School District's net pension liability ("NPL") as of June 30, 2019 was $167,542,136.

The School District is unable to predict the future amount of State pension liabilities or the amount of required School District contributions. The School District's pension plans, annual contribution requirements and liabilities are more fully described in "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE YEAR ENDED JUNE 30, 2019" attached hereto.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, the School District provides postemployment health care benefits (known as "other postemployment benefits," or "OPEB") as part of a single-employer defined benefit plan (the "OPEB Plan"). The

OPEB Plan is administered by the School District and allows employees who retire after achieving retirement eligibility requirements to continue to receive medical coverage. The School Board has the authority to establish or amend benefit terms offered by the OPEB Plan, and also retains the authority to establish the requirements for paying for the OPEB Plan's benefits as they come due. As of June 30, 2018, there were 1,569 participants in the OPEB Plan, including 127 inactive members or beneficiaries receiving benefits payments and 1,442 active members.

The School District accounts for its pension costs and obligations pursuant to GASB *Statement No. 74 Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans* ("GASB 74") and *Statement No. 75 Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions* ("GASB 75"). GASB 74 and GASB 75 require a liability for OPEB obligations, known as the net OPEB liability (the "NOL"), to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense will be recognized on the income statement of the participating employers. In the notes to its financial statements, employers providing OPEB 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. GASB 74 and GASB 75 are directed at quantifying and disclosing OPEB obligations, and do not impose any requirement on public agencies to fund such obligations.

The School District's total OPEB liability (the "TOL") as of June 30, 2019 is $15,767,048. The School District has not set aside moneys in an irrevocable trust with which to pay the TOL, consequently, the NOL is also $15,767,048. While the School District has not set aside moneys in an irrevocable trust to pay OPEB, the School District has established a Special Reserve Fund for Postemployment Benefits (the "Special Reserve for OPEB") for the purpose of paying future OPEB expenses. Funds in the Special Reserve for OPEB can be used purposes other than paying OPEB upon School Board action. As of June 30, 2019, the School District had $10,877,671 in its Special Reserve for OPEB.

The School District's OPEB expense in fiscal year 2018-19 was $1,370,508. The OPEB expense is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes the service cost, interest and certain changes in the NOL, adjusted to reflect deferred inflows and outflows.

The School District funds its OPEB liability on a "pay-as-you go" basis. The School District's OPEB expenditures were $145,001 in fiscal year 2017-18, were $167,792 in fiscal year 2018-19, are estimated to be $214,484 in fiscal year 2019-20 and are budgeted to be $196,001 in fiscal year 2020-21. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE YEAR ENDED JUNE 30, 2019" for additional information regarding the School District's OPEB.

SCHOOL DISTRICT FINANCIAL INFORMATION

It should not be inferred from the inclusion of the information in this section concerning the operations of the School District and its finances that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem property *tax, approved by the voters within SFID No. 1 pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by Stanislaus County and Merced County on all taxable property within SFID No. 1 in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

All tables in this section "SCHOOL DISTRICT FINANCIAL INFORMATION" are derived from the School District's audited financial statements, interim financial reports or other information provided by the School District unless a source is otherwise indicated.

Accounting Practices

The School District accounts for its financial transactions in accordance with the policies and procedures of the State Department of Education's *California School Accounting Manual*, which, pursuant to Education Code Section 41010, is to be followed by all school districts in the State. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America as prescribed by GASB and the American Institute of Certified Public Accountants.

The School District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net position and a statement of activities, report all the assets, liabilities, revenue and expenses of the School District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the School District's major and non-major funds. Governmental funds, including the General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" attached hereto for a further discussion of applicable accounting policies.

The independent auditor for the School District in fiscal year 2018-19 was Eide Bailly LLP, Fresno, California (the "Auditor"). The financial statements of the School District as of and for the year ended June 30, 2019, are set forth in "APPENDIX A" attached hereto. The School District has not requested nor did the School District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

Budget and Financial Reporting Process

The General Fund finances the legally authorized activities of the School District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The School District is required by provisions of the Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for all school districts.

The fiscal year for all State school districts and county offices of education is July 1 to June 30. Because most school districts depend on State funds for a substantial portion of revenue, the State budget is an extremely important input in the school district budget preparation process. However, there is very close timing between final approval of the State budget (legally required by June 15), the adoption of the associated school finance legislation, and the adoption of local school district budgets. In some years, the State budget is not approved by the legal deadline which forces school districts to begin the new fiscal year with only estimates of the amount of funding they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on critical estimates of enrollment, fixed costs, and commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education. The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to certificated employees must be delivered by March 15, with final notices by May 15 (should the enacted State budget not increase funding per ADA by at least two percent, an additional layoff window for certificated employees is opened until August 15). This necessitates projecting enrollment and determining staffing needs long before a school district will know either its final financial position for the current year or its revenue for the next year.

School districts must adopt an annual 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 governing board of the school district must not adopt a budget before the governing board adopts a local control and accountability plan (the "LCAP") for that budget year. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein.

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, will determine if the budget allows the school district to meet its current obligations, will determine if the budget is consistent with a financial plan that will enable the school district to meet its multi-year financial commitments, and will determine if the budget ensures the fiscal solvency and accountability for the goals outlined in the LCAP. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district within its jurisdiction based on these standards. The school 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 school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget may be disapproved, and no later than November 8, the county superintendent must notify the State Superintendent of all school district budgets that have been disapproved or budget committees waived.

For school districts whose budgets have been disapproved, the school district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, and 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, will approve or disapprove the revised budget. 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. 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.

Under the provisions of State Assembly Bill 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. Each school district is required by the Education Code to file two interim reports each year—the first report for the period ending October 31 by not later than December 15, and the second report for the period ending January 31 by not later than March 15. Each interim report shows fiscal year-to-date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. 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, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. If either the first or second interim report is not positive, the county superintendent may require the school district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the school district).

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least 10 working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the school district board (or the state administrator). The county superintendent will notify the school district, the county board of education, the school district governing board and the school district superintendent (or the state administrator), and each parent and teacher organization of the school district within those 10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status for each of the School District's interim reports for the previous five fiscal years appears in the following table.

Certifications of Interim Financial Reports
Turlock Unified School District

Fiscal Year	First Interim	Second Interim
2015-16	Positive	Positive
2016-17	Positive	Positive
2017-18	Positive	Positive
2018-19	Positive	Positive
2019-20	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the School District's financial statements. The audited financial statements of the School District for the fiscal year ended June 30, 2019, have been included in "APPENDIX A" attached hereto. Audited financial statements and other financial reports for prior fiscal years are available on the EMMA website and are on file with the School District and available for public inspection during normal business hours.

The following table sets forth the School District's audited General Fund balance sheet data for fiscal years 2014-15 through 2018-19.

General Fund Balance Sheet
Turlock Unified School District

	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited	2018-19 Audited
Assets					
Deposits and Investments	$38,046,573	$48,319,478	$53,936,805	$59,310,496	$57,871,005
Receivables	3,890,149	2,741,627	2,795,044	1,696,418	5,193,684
Due from Other Funds	55,036	367,534	332,247	586,584	309,708
Prepaid Expenditures	8,075	29,820	191,961	394,197	547,427
Stores Inventory	403,012	376,991	329,457	416,295	484,831
Total Assets	$42,402,845	$51,835,450	$57,585,514	$62,403,990	$64,406,655
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$6,383,209	$6,740,795	$9,553,873	$9,362,558	$8,757,125
Due to Other Funds	1,000,120	86,594	1,072,746	0	9
Other Liabilities	1,233,071	0	0	0	0
Unearned Revenue	287,757	0	18,448	9,916	68,644
Total Liabilities	$8,904,157	$6,827,389	$10,645,067	$9,372,474	$8,825,778
Fund Balances					
Nonspendable	$431,087	$426,811	$541,418	$830,567	$1,052,333
Restricted	2,919,018	6,349,429	5,727,104	6,900,701	7,460,777
Committed	1,083,162	2,410,235	4,744,514	9,473,456	10,968,064
Assigned	14,655,719	14,515,599	14,563,738	17,489,414	17,356,897
Unassigned	14,409,702	21,305,987	21,363,673	18,337,378	18,742,806
Total Fund Balances	$33,498,688	$45,008,061	$46,940,447	$53,031,516	$55,580,877
Total Liabilities and Fund Balances	$42,402,845	$51,835,450	$57,585,514	$62,403,990	$64,406,655

The following table sets forth the School District's audited General Fund activity for fiscal years 2015-16 through 2018-19, estimated activity for fiscal year 2019-20 and budgeted activity for fiscal year 2020-21.

General Fund Activity[1]
Turlock Unified School District

	2015-16 Audited	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Estimated	2020-21 Rev. Budget
Beginning Balance	$33,498,688	$45,008,061	$46,940,447	$53,031,516	$55,580,877	$48,563,450
Balance, Pupil Transportation Fund[1]	n/a	n/a	n/a	n/a	(90,393)	(92,069)
Balance, Special Reserve for OPEB[1]	n/a	n/a	n/a	n/a	(10,877,671)	(11,120,913)
Adjusted Beginning Balance	$33,498,688	$45,008,061	$46,940,447	$53,031,516	$44,612,812	$37,350,467
Revenues						
Local Control Funding Formula	$117,567,073	$124,108,357	$127,896,560	$137,772,236	$142,693,867	$141,309,636
Federal Revenue	7,319,872	6,506,981	7,493,172	8,171,756	8,135,497	9,939,203
Other State Revenues	15,606,925	12,461,815	15,882,100	20,234,424	14,918,031	11,473,843
Other Local Revenues	12,243,767	12,842,451	11,451,806	14,180,884	12,759,652	9,769,489
Total Revenues	152,737,637	155,919,604	162,723,638	180,359,300	178,507,047	172,492,171
Expenditures						
Certificated Salaries	$63,699,985	$65,768,641	$68,235,882	$75,209,209	$76,531,716	$75,541,175
Classified Salaries	22,819,392	24,233,045	25,615,093	28,567,886	30,374,214	31,398,291
Employee Benefits	23,565,844	28,931,103	31,989,997	44,176,084	44,625,392	41,977,120
Books and Supplies	5,366,111	9,565,506	5,928,236	7,106,431	12,621,228	11,235,981
Services/Other Operating Exp.	9,315,602	9,765,595	11,250,532	15,215,792	16,332,959	12,740,101
Capital Outlay	2,546,742	4,130,867	4,367,786	3,729,071	1,228,837	369,188
Other Outgo	3,937,109	3,620,046	3,710,979	5,843,433	4,083,046	2,982,111
Total Expenditures	$131,250,785	$146,014,803	$151,098,505	$179,847,906	$185,797,392	$176,243,967
Other Financing Sources	($9,977,479)	($7,972,415)	($5,534,064)	$2,037,967	$28,000	$25,000
Net Increase / Decrease	$11,509,373	$1,932,386	$6,091,069	$2,549,361	($7,262,345)	($3,726,796)
Ending Balance	$45,008,061	$46,940,447	$53,031,516	$55,580,877	$37,350,467	$33,623,671
Balance, Pupil Transportation Fund[1]	n/a	n/a	n/a	n/a	92,069	93,745
Balance, Special Reserve for OPEB[1]	n/a	n/a	n/a	n/a	11,120,913	11,220,913
Ending Balance, GAAP Basis	$45,008,061	$46,940,447	$53,031,516	$55,580,877	$48,563,450	$44,938,330

[1]The School District has implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54"), the effect of which was to reclassify and restate the School District's Pupil Transportation Fund and Special Reserve for OPEB within the General Fund. However, the School District's internal reporting, including the fiscal year 2019-20 estimated results and the fiscal year 2020-21 budget, does not reflect the implementation of GASB 54, and therefore does not include activity within the Pupil Transportation Fund and Special Reserve for OPEB.
Figures may not total due to rounding.

The 2020-21 School District Budget

The School Board approved the School District's original budget for fiscal year 2020-21 (the "2020-21 Original School District Budget") at its meeting on June 16, 2020. The 2020-21 Original School District Budget was adopted prior to the 2020-21 State Budget being finalized. As a result, the 2020-21 Original School District Budget assumed State funding of public education consistent with that proposed in the May 2020 revision to the proposed State budget for fiscal year 2020-21 (the "2020-21 May Revision").

The School Board approved a revised budget for fiscal year 2020-21 (the "2020-21 Revised School District Budget") at its meeting on August 4, 2020, incorporating certain changes to K-12 education funding included in the 2020-21 State Budget. See "FUNDING OF PUBLIC EDUCATION IN THE STATE—The 2020-21 State Budget" herein. The 2020-21 Revised School District Budget projects General Fund expenditures (including net transfers out of the General Fund) to exceed revenues by approximately $3.7 million in fiscal year 2020-21. The General Fund ending balance as of June 30, 2021, is budgeted to be approximately $33.6 million in the 2020-21 Revised School District Budget, consisting of $0.4 million of non-spendable moneys, $6.1 million of restricted funds, $6.0 million of assigned funds and $21.1 million of unassigned / unappropriated funds. In addition, the School District has budgeted fiscal year 2020-21 ending fund balances of $0.1 million of committed funds in the Pupil Transportation Fund and $11.2 million of committed funds in the Special Reserve for OPEB, which amounts are included in the General Fund for financial reporting purposes under GASB 54. Not included in the 2020-21 Revised School District Budget are 1) approximately $11.7 million in additional one-time funds allocated from CARES Act moneys received by the State and other State sources that are expected to be received in fiscal year 2020-21 as well as 2) corresponding COVID-19 related expenses.

Revenues

The School District categorizes its General Fund revenues into four primary sources: LCFF, federal revenues, other State revenues and other local revenues.

Local Control Funding Formula (LCFF). For nearly half a century, State school districts operated under general purpose revenue limit funding based on a school district's average daily student attendance, much of which was restricted by category as to how each dollar could be spent. Revenue limit funding was calculated by multiplying a school district's ADA (using the greater of the current or prior year P-2 ADA) by the school district's revenue limit funding per ADA, with certain adjustments.

In landmark legislation effective fiscal year 2013-14, the State introduced a new school district funding formula, the local control funding formula or LCFF. LCFF consolidated most categorical programs in order to give school districts more control over how to spend their revenues. At full implementation of LCFF, school districts receive a uniform base grant per student based on grade span, a supplemental grant based on an unduplicated count of the targeted disadvantaged students ("unduplicated students") in the school district, and an additional concentration grant based on the number of unduplicated students in the school district above 55 percent, with qualifying schools receiving an additional necessary small school allowance. In fiscal year 2018-19, approximately 65.05 percent of the School District's students were unduplicated students. The base, supplemental, and concentration grant amounts per student were set in fiscal year 2012-13 and are subject to cost-of-living adjustments thereafter. School districts that would otherwise receive less funding at full implementation of LCFF than they did under the revenue-limit system are also guaranteed an additional Economic Recovery Target ("ERT") grant to restore funding to at or above their pre-recession funding, adjusted for inflation. The ERT add-on is paid incrementally over the LCFF implementation period. In fiscal year 2019-20, the School District's LCFF funding (excluding charter schools) is calculated to be $138,097,090, comprised of $116,244,519 in base grant funding, $15,055,990 in supplemental grant funding, $5,672,733 in concentration grant funding and $1,123,848 in add-on funding.

LCFF was originally scheduled to be phased in over eight years through fiscal year 2020-21. To calculate LCFF funding during the phase-in period, school districts calculated their "funding gap," the difference between LCFF funding calculated at full implementation and their "funding floor," an amount based on fiscal year 2012-13 funding levels under the revenue limit system adjusted for prior LCFF phase-in adjustments. School districts received their funding floor plus a percentage of their funding gap as specified in the State budget. In fiscal year 2018-19, the State funded 100 percent of the remaining gap. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein for more information about LCFF.

Set forth in the following table are the School District's funded ADA by grade span and the percentage of unduplicated student enrollment for fiscal years 2013-14 through 2018-19, unaudited data for fiscal year 2019-20 and budgeted data for fiscal year 2020-21.

Funded ADA and Unduplicated Student Enrollment Percentage[1]
Turlock Unified School District

Fiscal Year	Funded P-2 ADA Grades TK-3	Funded P-2 ADA Grades 4-6	Funded P-2 ADA Grades 7-8	Funded P-2 ADA Grades 9-12	Total Funded P-2 ADA	Unduplicated Student Enrollment Percentage[2]
2013-14	4,074.70	2,924.49	1,916.65	4,559.78	13,475.62	66.93%
2014-15	4,032.91	2,937.15	1,942.05	4,471.00	13,383.11	66.65
2015-16	3,938.94	2,997.04	1,955.79	4,493.82	13,385.59	65.98
2016-17	3,876.90	3,046.27	1,916.56	4,514.71	13,354.44	64.86
2017-18	3,883.24	3,004.08	2,005.90	4,539.41	13,432.63	64.70
2018-19	3,876.80	2,928.06	2,058.67	4,628.48	13,492.01	65.05
2019-20[3]	3,825.78	2,912.73	2,030.47	4,659.10	13,428.08	64.76
2020-21[4]	3,825.78	2,912.73	2,030.47	4,659.10	13,428.08	64.57

[1]Charter school ADA and enrollment not included.
[2]For purposes of calculating supplemental and concentration grants, a school district's fiscal year 2013-14 percentage of unduplicated students is determined solely as the percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated students is based on the two-year average of unduplicated student enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated student enrollment is based on a rolling average of such district's unduplicated student enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
[3]Unaudited.
[4]Budgeted.

Set forth in the following table is the School District's actual LCFF funding per ADA for fiscal years 2013-14 through 2018-19, estimated LCFF funding per ADA for fiscal year 2019-20 and budgeted LCFF funding per ADA for fiscal year 2020-21.

LCFF Funding per ADA
Turlock Unified School District

Fiscal Year	Funded ADA[1]	Average LCFF Funding per ADA[2]	Average LCFF Funding per ADA at Full Implementation[2]
2013-14	13,475.62	$6,724.28	$9,403.10
2014-15	13,383.11	7,553.67	9,459.08
2015-16	13,385.59	8,584.99	9,516.09
2016-17	13,354.44	9,073.75	9,454.84
2017-18	13,432.63	9,293.10	9,591.63
2018-19	13,492.01	9,973.01	9,973.01
2019-20[3]	13,428.08	10,284.20	10,284.20
2020-21[4]	13,428.08	10,272.69	10,272.69

[1]Funded ADA is the greater of current year P-2 ADA and prior year P-2 ADA.
[2]Represents average LCFF funding per ADA across grade spans.
[3]Estimated.
[4]Budgeted.

Funding of the School District's LCFF is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and certain community redevelopment funds, if any) and b) State apportionments. The majority of the School District's LCFF funding comes from State apportionments.

LCFF revenues were 78.6 percent of General Fund revenues in fiscal year 2017-18, were 76.4 percent of General Fund revenues in fiscal year 2018-19, are estimated to be 79.9 percent of General Fund revenues in fiscal year 2019-20 and are budgeted to be 81.9 percent of General Fund revenues in fiscal year 2020-21.

Federal Revenues. The federal government provides funding for several School District programs. These federal revenues, most of which historically have been restricted, were 4.6 percent of General Fund revenues in fiscal year 2017-18, were 4.5 percent of General Fund revenues in fiscal year 2018-19, are estimated to be 4.6 percent of General Fund revenues in fiscal year 2019-20 and are budgeted to be 5.8 percent of General Fund revenues in fiscal year 2020-21. Included in fiscal year 2020-21 federal revenues are approximately $2.6 million of CARES Act ESSER funds. However, additional one-time funds of approximately $10.3 million allocated from CARES Act moneys received by the State and expected to be received in fiscal year 2020-21 were not included in the 2020-21 Revised School District Budget.

Other State Revenues. In addition to apportionment revenues, the State provides funding to the School District for categorical programs. These other State revenues were 9.8 percent of General Fund revenues in fiscal year 2017-18, were 11.2 percent of General Fund revenues in fiscal year 2018-19, are estimated to be 8.4 percent of General Fund revenues in fiscal year 2019-20 and are budgeted to be 6.7 percent of General Fund revenues in fiscal year 2020-21. Included in other State revenues are proceeds received from the State from the State lottery and pass-through payments from the dissolution of redevelopment agencies.

Other Local Revenues. Revenues from other local sources were 7.0 percent of General Fund revenues in fiscal year 2017-18, were 7.9 percent of General Fund revenues in fiscal year 2018-19, are estimated to be 7.1 percent of General Fund revenues in fiscal year 2019-20 and are budgeted to be 5.7 percent of General Fund revenues in fiscal year 2020-21.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated salary increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures.

At the time the School District adopted the 2020-21 Revised School District Budget, the School District had not completed negotiations with its classified, certificated or management staff to finalize salary and benefit increases for fiscal year 2020-21. As a result, the School District did not include classified, certificated or management employee salary and benefit increases in its 2020-21 Revised School District Budget. Each one percent increase in salary for classified, certificated or management staff would increase fiscal year 2020-21 expenditures by $799,944, $387,344 and $146,948 respectively.

Employee salaries and benefits were 83.3 percent of General Fund expenditures in fiscal year 2017-18, were 82.3 percent of General Fund expenditures in fiscal year 2018-19, are estimated to be 81.6 percent of General Fund expenditures in fiscal year 2019-20 and are budgeted to be 84.5 percent of General Fund expenditures in fiscal year 2020-21.

Short-Term Borrowings

The School District has no short-term debt outstanding.

The School District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the School District have been used to reduce inter-fund dependency and to provide the School District with greater overall efficiency in the management of its funds.

Capitalized Lease Obligations

The School District has made use of various capital lease arrangements under agreements that provide for title of items and equipment being leased to pass to the School District upon expiration of the lease period. As of June 30, 2019, the School District had $2,009,633 in capital lease arrangements outstanding.

On June 25, 2015, the School District issued a lease-purchase financing in the amount of $7,111,787 (the "2015 Refunding LP") to refinance the Turlock Unified School District (Counties of Stanislaus and Merced, California) 2005 Certificates of Participation.

The School District's outstanding lease-purchase is set forth in the following table.

Outstanding Lease Purchases
Turlock Unified School District

Issue	Date Issued	Amount Issued	Final Maturity	Outstanding Principal as of August 1, 2020	Debt Service in Fiscal Year 2020-21
2015 Refunding LP	June 25, 2015	$7,111,787	August 1, 2030	$4,778,224	$559,042

Long-Term Borrowings

On May 15, 2013, the School District issued the Turlock Unified School District (Counties of Stanislaus and Merced, California) 2013 General Obligation Refunding Bonds in the aggregate principal amount of $8,475,000 (the "2013 Refunding Bonds") to refund general obligation bonds previously issued by the School District.

On July 21, 2015, the School District issued the 2015 General Obligation Refunding Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District (Counties of Stanislaus and Merced, California) in the aggregate principal amount of $7,915,000 (the "2015 SFID Refunding Bonds") to refund general obligation bonds previously issued by the School District.

On July 22, 2015, the School District issued the Turlock Unified School District (Counties of Stanislaus and Merced, California) 2015 General Obligation Refunding Bonds in the aggregate principal amount of $21,885,000 (the "2015 USD Refunding Bonds") to refund general obligation bonds previously issued by the School District.

On May 9, 2017, the School District issued the first series of bonds authorized by the 2016 Authorization, the 2017 SFID Bonds in the aggregate principal amount of $12,500,000. On May 22, 2019, the School District issued the second series of bonds authorized by the 2016 Authorization, the 2019 SFID Bonds in the aggregate principal amount of $13,600,000. The Bonds represent the third and final series of general obligation bonds to be issued under Measure N.

On May 9, 2017, the School District issued the Turlock Unified School District (Stanislaus County and Merced County, California) General Obligation Bonds, Election of 2016, Series 2017 in the aggregate principal amount of $14,700,000 (the "2017 USD Bonds"). On May 22, 2019, the School District issued the Turlock Unified School District (Stanislaus County and Merced County, California) General Obligation Bonds, Election of 2016, Series 2019 in the aggregate principal amount of $33,300,000 (the "2019 USD Bonds")

The School District's outstanding general obligation bonds are set forth in the following table.

Outstanding General Obligation Bonds
Turlock Unified School District

Issue	Final Maturity	Principal Amount Issued	Outstanding Principal as of August 1, 2020	Debt Service in Fiscal Year 2020-21
2013 Refunding Bonds	June 1, 2029	$8,475,000	$5,175,000	$671,056
2015 SFID Refunding Bonds	June 1, 2032	7,915,000	6,195,000	635,513
2015 USD Refunding Bonds	August 1, 2032	21,885,000	12,490,000	2,625,019
2017 SFID Bonds	August 1, 2046	12,500,000	10,180,000	370,150
2017 USD Bonds	August 1, 2046	14,700,000	11,940,000	435,656
2019 SFID Bonds	August 1, 2047	13,600,000	12,850,000	1,192,344
2019 USD Bonds	August 1, 2046	33,300,000	32,200,000	2,225,338
	Total		$91,030,000	$8,155,076

The School District has not defaulted on the payment of principal of or interest on any of its short-term indebtedness, capital lease obligations or long-term indebtedness in the past twenty years. All long-term bonded indebtedness of the School District as of June 30, 2019 is set forth in "APPENDIX A" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES

Background

From the Separation of Sources Act (1910) until Proposition 13 (1978), local governments had control over property tax rates and revenues within their jurisdiction. Voter approval was not required for most taxes, charges or fees imposed by local governments. Each school district in the State raised revenue by taxing local property owners according to a tax rate established by its governing board, subject to voter approval, and received some supplemental funds from the State. The State's role in providing for public education and education facilities was limited during this time. Local school districts relied largely on general obligation bonds as the primary source of funding for school facilities.

The passage of Proposition 13 brought this local property tax system to an end, fundamentally changing local government finance. Local government entities are no longer authorized to levy a general tax rate. Instead, they share in the revenues generated by Proposition 13's countywide tax rate. In the year following the passage of Proposition 13, local property tax revenue across the State fell approximately 60 percent. In order for school districts to continue operating, the State had to assume primary responsibility for public school funding, replacing the lost property tax revenue with moneys from the State general fund. As a result of Proposition 13, control over revenues shifted away from local school districts to the State government. Proposition 13 also eliminated the ability of school districts to issue bonds; for a decade, the State provided some of the cost of school facilities projects until the passage of Proposition 46 (1986) restored the ability of school districts to issue such bonds.

Article XIIIA of the State Constitution

Article XIIIA, added to the State Constitution by Proposition 13 and amended over time, limits the *ad valorem* property tax rate that can be levied on real property to one percent of its "full cash value" except to pay debt service, discussed below. "Full cash value" is defined as the property's assessed value as of the fiscal year 1975-76 tax bill, annually increased by the lesser of either two percent or the rate of inflation. Subsequently, the property is reappraised for tax purposes upon a change in ownership or new construction. Several types of changes in ownership and construction have been exempted from the reassessment requirement by amendment, including improvements for seismic retrofit, solar energy, fire prevention, disability access, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property is destroyed in a declared disaster, and certain transfers of property between family members.

In most years, the market value of a property increases at a rate greater than the maximum two percent increase a county is allowed to calculate. As amended by Proposition 8 (1978), Article XIIIA allows for a county to temporarily reduce the assessed value to current market value when the market value of the property falls below the property's adjusted acquisition value due to an economic recession, natural disaster or other cause of damage. In years in which reduced reassessments are widespread, property tax revenue available to local governments such as school districts is reduced. Pursuant to interpretation of the Revenue and Taxation Code and upheld by State courts, once the market has rebounded or the property has been repaired to substantially its original condition, a county may increase the assessed value of the property at a rate greater than two percent annually until it has reached the property's pre-decline assessed value.

As a result of these laws, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full two percent increase on any property that has not changed ownership. Any increase or decrease in assessed valuation is allocated among the various jurisdictions.

The one percent tax is levied and collected by each county, and the revenue is apportioned by the county to each local government agency in the taxing area roughly in proportion to the relative shares of taxes as levied prior to 1979. Local government agencies, including school districts, may not directly levy any *ad valorem* property tax, unless the property tax is levied to pay debt service (interest and redemption charges) on a local government's indebtedness approved by voters prior to July 1, 1978, or, thereafter, as amended by Proposition 46 (1986), bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority. In addition, Proposition 39 (2000) added a provision allowing for a lowered voter approval rate specifically for bonds to fund school facilities projects. A school district or community college district may levy *ad valorem* property taxes in excess of one percent with 55 percent voter approval if the bonds will be used for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities. The measure must include the specific list of projects to be funded and certification that the school district's governing board has evaluated safety, class size reduction, and information technology needs in developing the list, and must 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. Pursuant to legislation, the projected tax rate per $100,000 of taxable property value levied as the result of any single election may be no more than $60 in a unified school district, $30 in a high school or elementary school district, or $25 in a community college district. The 2016 Authorization was conducted pursuant to Proposition 39.

Article XIIIB of the State Constitution

Article XIIIB, added to the State Constitution by Proposition 4 (1979), amended by Proposition 111 (1990), limits the amount of certain funds, including tax revenues, that may be annually appropriated by the State and local governments, including school districts, to the amount appropriated the prior year, adjusted to reflect the rate of economic growth by measuring the change in *per capita* personal income and population. Certain payments are exempt from the appropriations limit calculation, including debt service payments; certain benefit payments, mandated expenses, State payments to school districts and community college districts, increases in revenues gained from fuel, vehicle and tobacco taxes, emergency appropriations; and qualified capital outlay projects (projects involving fixed assets such as land or construction that have an expected life of more than 10 years and a value greater than $100,000).

Tax revenues in excess of the appropriation limit are shared between increased education funding and taxpayer rebates. Calculated over two years, half of any excess is transferred to K-14 school districts and half is returned to taxpayers through a revision of tax rates within two fiscal years. Any such excess revenues transferred to K-14 school districts are not counted as part of the school districts' base expenditures for calculating their entitlement for State aid in the next year, nor is the State's appropriations limit increased by this amount. If a K-14 school district's revenues exceed its appropriations limit, the school district may increase its appropriations limit to equal its spending by borrowing from the State's appropriations limit.

Articles XIIIC and XIIID of the State Constitution

Articles XIIIC and XIIID, added to the State Constitution by Proposition 218 (1996) and amended over time, limit the ability of local governments, including school districts, to levy and collect non-*ad valorem* property taxes, assessments, fees and charges. The law establishes that a tax must be either a "general" tax, requiring the approval of a simple majority of voters, the proceeds of which can only be used for general government purposes, or a "special" tax, requiring the approval of two-thirds of voters, the proceeds of which are used for a specific purpose, or if the tax is levied by a special-purpose government agency, including a school district. Any tax levied on property, other than the *ad valorem* property tax governed by Article XIIIA, is a special tax, requiring the approval of two-thirds of voters. Special-purpose government agencies, such as a school district, cannot levy general taxes.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the School District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the Stanislaus County Treasurer to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* property taxes pledged to repay general obligation bonds. In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

The initiative power can be used to reduce or repeal most local taxes, assessments, fees and charges. Article XIIID deals with assessments and property-related fees and charges and expressly cautions that its provisions shall not be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is available to repeal or reduce developer and mitigation fees imposed by the School District. The School District has no power to impose taxes except those property taxes associated with a general obligation bond election, following approval by 55 percent or two-thirds of the School District's voters, depending upon the legal authority for the issuance of such bonds.

As amended by Proposition 26 (2010), the law defines any levy, charge, or exaction of any kind imposed by a local government as a tax requiring voter approval. The following exceptions do not require voter approval: a reasonable charge for a specific benefit, privilege, product or service that is received only by the payor of the charge; a reasonable charge for regulatory costs of issuing a license or permit, performing an inspection or audit, or enforcing an order; a charge for use, rental, or purchase of government property; a charge, fine or penalty for violation of law; and assessments and property-related fees imposed as a condition of property development. Although such fees and charges levied by one taxing jurisdiction do not directly impact the amount of revenue available to another taxing jurisdiction from *ad valorem* property taxes, if the ability to impose the fee or charge is restricted, it could indirectly impact such revenues.

Minimum Guarantee of State Funding for Education

Proposition 98 (1988), added Article XVI to the State Constitution, requiring that "from all State revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and higher education." Known as the "minimum guarantee," funding for K-14 school districts, made up of a combination of State general fund income tax revenues and local property tax revenues, must be the greater of either the same percentage of State general fund revenues as was appropriated in fiscal year 1986-87, or the amount actually appropriated to such school districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The minimum guarantee allocated each year, determined by a set of tests, is approximately 40 percent or more of State general fund revenues. The amount of the minimum guarantee is not finalized until the final economic analysis is completed for a fiscal year; if the revisions result in a higher minimum guarantee than was budgeted, the State makes a one-time "settle-up" payment and uses the increased minimum to calculate the subsequent year's funding, as described below. If the revised minimum guarantee is lower than budgeted, the State can use the higher level or make mid-year adjustments to reduce funding.

"Test 1" (share of the State general fund) allocates approximately 41 percent of the State general fund revenue to K-14 school districts. Test 1, in which the amount of the minimum guarantee is based on the share of the State general fund revenue spent on K-14 education funding in fiscal year 1986-87, only applies if Test 2 or Test 3 (described below) does not result in additional funding for K-14 school districts. Test 1 has been used 8 times in the last 33 years, including fiscal years 2018-19, 2019-20 and 2020-21 (budgeted).

"Test 2" (change in *per capita* personal income) provides that K-14 school districts receive the same amount of funding received in the prior year, adjusted for year-over-year statewide changes in K-12 attendance and *per capita* personal income.

Test 2 is used if it results in more funding for K-14 school districts than Test 1 (unless Test 3 applies instead). Test 2 has been used in 16 of the past 33 years, including fiscal year 2017-18.

"Test 3" (change in general fund revenue) provides that K-14 school districts receive the same amount of funding received in the prior year, adjusted for year-over-year statewide changes in K-12 attendance and general fund revenue; this calculation is only used if the percentage change in *per capita* State general fund revenue is less than the change in *per capita* personal income. Test 3 has been used in 9 of the past 33 years, including fiscal years 2015-16 and 2016-17.

In years of economic hardship, the State Legislature can suspend the minimum guarantee for a year by a two-thirds vote, which also triggers the maintenance factor obligation, to be restored in later years. Such suspension has only occurred twice, in fiscal years 2004-05 and 2010-11.

The State creates a maintenance factor obligation when Test 3 is operative or when the minimum guarantee is suspended. In any year in which Test 3 is used, the difference between the actual amount of funding provided and the amount that would have been appropriated, under the larger amount of either Test 1 or Test 2, is considered a "maintenance factor" credit to K-14 school districts, to be restored in future years when State revenue growth rebounds to exceed personal income. The State constitution requires the maintenance factor be paid off in annual amounts determined by formula, with stronger revenue growth generally requiring larger payments.

The State Legislature has the authority to spend more than the minimum guarantee, although any increase creates a higher minimum floor for the following year; this has occurred from time to time. At times, the State also has had outstanding one-time Proposition 98 obligations known as "settle-up" obligations. A settle-up obligation is created when the minimum guarantee increases midyear and the State does not make an additional payment within that fiscal year to meet the higher guarantee. The increased amount is used as the base for the following year's minimum guarantee. Settle-up funds can be used for any educational purpose, including paying off other state one-time obligations, such as deferrals and mandates.

Community Redevelopment and Revitalization

Beginning with the Community Redevelopment Act (1945) under Article XVI of the State Constitution, amended over time, until the termination and dissolution of the program in 2011, a local government could improve an economically depressed area by creating a redevelopment agency (an "RDA") to pay for development projects with the future increase in property tax revenue, or "tax increment," attributable to the growth in assessed value of taxable property within the project area when the project was complete. However, the allocation of the tax increment to the local RDA caused a reduction in the one percent countywide property tax levy for other local taxing agencies, including school districts, although *ad valorem* property taxes in excess of the one percent property tax levy collected for payment of debt service on school district bonds were not affected. Although a school district could negotiate with the RDA for "pass-through" payments of local tax revenues, because the State was replacing the school district's lost tax revenue, there was little incentive for most school districts to negotiate for greater amounts of pass-through from the RDAs. The State's share of reimbursements to such school districts soared into the hundreds of millions of dollars per year.

Facing economic crisis, Assembly Bill, First Extended Session 26 ("AB1X 26") (2011), upheld by the State Supreme Court in *California Redevelopment Association v. Matosantos* (2011), was enacted to dissolve the more than 400 RDAs in the State to preserve funding for core public services at the local level. Successor agencies were established to facilitate the management of projects underway, making payments on enforceable obligations, and disposing of assets and properties. Senate Bill 107 (2015) streamlined the dissolution process and expanded the types of loans for which cities and counties can seek reimbursement. The School District receives pass-through payments from a dissolution process. See "SCHOOL DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Assembly Bill 2 ("AB2") (2015), the result of several legislative efforts to replace the redevelopment law in order to provide local government options for sustainable community economic development, is a limited version of the former law, targeting only the State's most impoverished areas. AB2 allows a local government to create a community revitalization investment area ("CRIA") if several conditions are met, including measures of unemployment, crime, and dilapidated infrastructure and residential structures, which are required to insure that the CRIA process is actually used for the intended purpose of alleviating blight. Significantly, school districts are prohibited from participating in the CRIA; because schools may not contribute their share of the tax increment to the project area, the funding impact to schools and the State is avoided. Assembly Bill 2492 (2016) was enacted that clarified implementation issues of AB2.

Limits on State Authority Over Local Tax Revenues

State and local governments' funding and responsibilities are interrelated. Both levels of government share revenues raised by certain taxes such as sales and fuel taxes, and both also share in the costs for some programs such as health and social services. Although the State does not receive local property tax revenue, it has had authority over the distribution of these revenues among local agencies and school districts. Under Article XIIIA, the State had the authority to permanently shift property taxes among local governments. At times, the State fulfilled some portion of the Proposition 98 minimum guarantee by shifting some of the property tax revenues share belonging to cities, counties, other special districts and redevelopment agencies to K-14 school districts through an Educational Revenue Augmentation Fund ("ERAF") established in each county.

Proposition 1A (2004) amended Articles XI and XIII of the State Constitution to require two-thirds approval of the State Legislature to shift property tax revenues allocation between local governments, preventing the State from reducing the property tax share allocated to cities, counties, and special districts. However, the State could still transfer property tax revenues to schools in the case of severe fiscal hardship and two-thirds approval of the State Legislature.

Proposition 22 (2010) amended Articles XIII and XIX of the State Constitution to further restrict the State's control over local property taxes in order to stabilize local government revenue sources. Even during times of severe fiscal hardship, the State could not take revenue derived from locally imposed taxes, such as parcel taxes, hotel taxes, utility taxes, and sales taxes, for State purposes, nor could the State delay distribution of tax revenues to local governments, redirect redevelopment agency property tax revenue to other local governments such as school districts, or shift money to the school districts under an ERAF. As a result, the State would have to take other actions to balance its budget in some years, such as reducing State spending or increasing State taxes. Proposition 22's restriction of the State's ability to shift local funds made K-14 school districts more directly dependent on the State general fund for Proposition 98 funding.

Temporary State Tax Increases

From 2008 to 2012, the State eliminated more than $56 billion from State and local funding for local services including education, police, fire, and health care. Proposition 30 (2012) allows the State to levy a temporary sales tax (lasting four years) and income tax on high-income earners (lasting seven years), the revenues of which are dedicated to increased education funding and to balance the State budget. Existing law requires that in years in which the State's general fund revenues grow by a large amount, funding for education must also be increased by a large amount. The tax revenues allocated to education as part of the minimum guarantee are deposited into the Education Protection Account ("EPA"), recalculated and distributed quarterly to K-14 school districts (89 percent to K-12 school districts and 11 percent to community college districts) as a continuing appropriation not subject to budget adoption. The funds are distributed in the same manner as existing unrestricted per-student funding. The Proposition 30 tax revenue is included in the Proposition 98 calculation, raising the guarantee by billions each year. The remaining Proposition 30 tax revenues will be used to balance the budget.

Proposition 55 (2016) extends the income tax increase on high-income taxpayers through the year 2030-31. Approximately half of the revenue raised by this measure is allocated to K-14 school districts. The measure also directs half of any excess revenues, up to a maximum of $2 billion, for additional funding for Medi-Cal, if revenues exceed the constitutionally required education spending and the costs of government programs in place as of January 1, 2016. A portion would also be saved in reserves and spent on debt payments. Any remaining revenues would be available for any State purpose.

Enacted Budget Required for Disbursement of State Funds

In years in which the State Legislature has not enacted a budget by the required deadline, the fiscal year begins without an enacted budget, and the State has, in some cases, issued registered warrants or IOUs, to pay certain State employees' wages and State debts. In 1988, during such a budgetary impasse, a taxpayers' association argued that such warrants were not authorized without an enacted budget. In the case, known as *Jarvis v. Connell*, the State Court of Appeal held that without an enacted budget, State funds may not be disbursed unless the payment is authorized by the State Constitution, as a continuing appropriation, or by federal mandate. This could affect school district budgets to the extent that, if there is neither an enacted budget nor emergency appropriation, State payments owed to school districts could be delayed unless they are required as a continuing appropriation or federal mandate.

State and School District Budgetary Reserves

Proposition 58 (2004) amended Article IV of the State Constitution to require the State to enact a balanced budget, in which estimated revenues would meet or exceed estimated expenditures in each year, and that mid-year adjustments be made if the budget fell out of balance. The law established the Budget Stabilization Account (the "BSA") in the State's general fund, which required a deposit of three percent of the State general fund each year.

Proposition 2 (2014) addressed the need for long-term financial stability in the State in the face of economic volatility by dedicating funds to pay down the State's debt, changing the State's reserve policies, and creating a separate budget reserve for K-14 school districts called the Public School System Stabilization Account (the "PSSSA"). The law reduced legislative discretion over the timetable for the repayment of State debts and required that 1.5 percent of the State general fund be deposited into the BSA annually, plus an additional amount when the State experiences spikes in capital gains tax revenue in excess of eight percent of State general fund revenues. The PSSSA, also funded with capital gains spikes, is drawn upon when the Proposition 98 minimum guarantee exceeds available State general fund and property tax revenues. Through 2030, half of the funds deposited each year into the BSA must be used to pay fiscal obligations such as budget loans and unfunded State level pension plans. Funds may be withdrawn from the BSA only for a disaster-related emergency or a fiscal emergency (which occurs if estimated resources in the current or upcoming fiscal year are insufficient to keep spending at the level of the prior three budgets adjusted for inflation and population). In the case of a recession, only half of the funds can be withdrawn. As a result, a large amount of incremental gains in the State's general fund revenues are allocated to building reserves and repaying debt.

The State has a constitutional obligation to ensure that school districts continue to operate even in times of financial difficulty so that the education of students in the State is not disrupted. The State requires school districts to maintain a minimum reserve in their general fund's reserve for economic uncertainties to help school districts manage cash flow, address unexpected costs, save for large purchases, reduce costs of borrowing money, and mitigate the volatility in funding produced by the reliance on tax revenue funding sources. The minimum reserve amount required depends on the size of the school district's enrollment. Smaller school districts are required to keep a higher percentage of reserves because they are more easily overwhelmed by unexpected costs, such as a single major facility repair, which could deplete most of its reserves in a single year. School districts with enrollment of 300 or fewer students, which represent 25 percent of school districts in the State, must keep a minimum reserve of five percent of expenditures. School districts with enrollment of 301 to 1,000 students, which represent 17 percent of school districts in the State, must keep a minimum reserve of four percent. School districts with enrollment of 1,001 to 30,000 students, which represent 55 percent of school districts in the State, must keep a minimum reserve of three percent. School districts with enrollment of 30,001 to 400,000 students, which represent three percent of school districts in the State, must keep a minimum reserve of two percent. The one school district in the State with an enrollment of 400,001 or more students must keep a minimum reserve of one percent. Many school districts attempt to keep their reserve levels higher than State minimum requirements.

Senate Bill 858 (2014), enacted as trailing legislation to the fiscal year 2014-15 State budget, required K-12 school districts, in the event of a deposit by the State to the PSSSA, to reduce total assigned and unassigned reserves in the following year to no more than twice its minimum reserve for economic uncertainties, ranging from one to five percent of expenditures depending on the size of the school district. Senate Bill 751 (2018), signed into law on October 11, 2017 and effective January 1, 2018, makes certain changes to the cap on school district reserves, increasing both the State PSSSA deposit amount required to trigger the reserve cap (to three percent of State general fund revenues appropriated for K-12 school districts), and increasing the cap on individual school district reserves (to 10 percent of combined assigned and unassigned ending general fund balances). In addition, basic aid school districts and small school districts with fewer than 2,501 students are exempted from the cap. County education officials can exempt a school district from the cap if the school district demonstrates extraordinary fiscal circumstances, including undertaking multi-year infrastructure or technology projects. A smaller reserve could affect the school district's financial condition in the event of an economic downturn. The School District cannot predict when a deposit to the PSSSA might occur or whether future legislation will be enacted that changes this requirement.

School Facilities Funding

The Leroy F. Greene School Facilities Act (1998) established the State Facilities Program ("SFP") to allocate funding grants based on proposals submitted by school districts for the new construction of or the modernization of existing school facilities, although the program has evolved to allow funding for other types of school facility needs including facility hardship, seismic mitigation, charter school facilities, relief of overcrowding, career technical education facilities, incentives for energy efficiency and high-performance architectural attributes, and joint-use programs with other government entities.

Funding for SFP grants comes from statewide general obligation bonds approved by the voters in the State. The State retires these bonds by making annual debt service payments. In fiscal year 2016-17, the State paid $2.4 billion in debt service on previously issued K-12 facilities bonds and $300 million in debt service on community college facilities bonds. Proposition 1A (1998) provided $9.2 billion ($6.7 billion for K-12 facilities), Proposition 47 (2002) provided $13.2 billion ($11.4 billion for K-12 facilities), Proposition 55 (2004) provided $12.3 billion ($10 billion for K-12 facilities), Proposition 1D (2006) provided $10.4 billion ($7.3 billion for K-12 facilities), and Proposition 51 (2016), the first initiative facilities bond measure, provides $9 billion ($6 billion for K-12 facilities).

Proposition 51 amends the Education Code, prescribing the fiscal allocation and purpose of the $9 billion bond and establishing the 2016 State School Facilities Fund and the 2016 California Community College Capital Outlay Bond Fund in the State Treasury. Of the total amount, $6 billion is allocated to K-12 facilities (half for new construction and half for modernization), $500 million for charter schools, $500 million for career technical education programs, and $2 billion to community colleges.

In most cases, K-12 school and community college districts that receive funding for approved projects must match the funding with local funding according to the type of project. Projects for the purchase of land and new construction are matched evenly. Modernization projects require a match of 40 percent local funding to 60 percent State funding. If no local funding is available, the school district can apply for additional grant funding. Community college projects do not have a specified contribution model and are determined individually. K-12 school and community college districts may sell local general obligation bonds to cover the school district's share of the cost of facility projects. K-12 school districts may also raise funds for facilities by charging fees on new development (community college districts may not). Both K-12 school and community college districts may also raise funds by parcel taxes and other methods used less frequently.

Impact of Future Legislation

Laws affecting school district funding and the power of State and local governments to raise and spend revenue have been subject to many changes as voters and lawmakers react to economic and political cycles. The complex patchwork of the many different provisions at times results in uncertainty regarding their operation or interpretation. Many of the laws discussed above were enacted through the State's initiative process. Initiative constitutional amendments may be changed only by another statewide initiative. Legislative constitutional provisions may be changed by a majority vote of both houses of the State Legislature and approval by the Governor, if the change furthers the purposes of the provision. The School District cannot predict whether or when the voters in the State or the State Legislature will approve further legislation that could restrict the School District's sources of revenue or its ability to spend that revenue, or require the School District to appropriate additional revenue.

FUNDING OF PUBLIC EDUCATION IN THE STATE

Sources of Revenue for Public Education

There are four general sources of funding for K-12 public education in the State: the federal government, local property taxes, other local funding sources and State funding, the principal source of funding for most school districts. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes above one percent for general-purpose school support, and the courts have declared that school districts may not charge fees for school-related activities, unless the charge is specifically authorized by law for a particular program or activity. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES" herein.

State Funding. Many school districts in the State receive the majority of their funds from the State. According to the State Legislative Analyst's Office (the "LAO"), State funding accounted for approximately 62 percent of the State's K-12 public education funding in fiscal year 2016-17 and approximately 61 percent in fiscal year 2017-18, and is budgeted to account for approximately 61 percent of funding in fiscal year 2018-19. There are three sources of State funds for K-12 public education: the Proposition 98 minimum guarantee, comprised of a combination of State general fund revenues and local property tax revenues, representing the majority (80 percent in fiscal year 2018-19) of State funding; additional State funds for targeted programs such as facilities and remaining categorical programs such as special education, nutrition, afterschool programs, and home-to-school transportation; and State lottery funds, a portion of which may only be used for instructional purposes. The Proposition 98 guaranteed minimum amount is set forth each year in the State budget. See "—The 2019-20 State Budget" and "—The 2020-21 State Budget" herein.

More than 60 percent of the State's general fund revenue comes from personal income taxes, with capital gains taxes representing more than 10 percent of the State's general fund revenue, so a downturn in the stock market may significantly impact the State's general fund. Because funding for education in the State depends on the amount of money available in the State general fund, the linkage can result in significant volatility in education funding. For instance, during the recent recession in fiscal year 2011-12, State general fund revenues available for education funding were approximately eight percent less than the amount available four years prior. Provisions added to the State Constitution and statutes in 2013 and 2014 attempt to provide funding stability to public education by capturing spikes in capital gains revenue to use for paying down debts and obligations and to create reserves. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES" herein.

The State Revenue Limit was instituted in fiscal year 1973-74 to provide a mechanism to calculate the total amount of general-purpose revenue a school district, community college district or county office of education is entitled to receive from combined State and local sources per average daily attendance, known as its "revenue limit," and the funding from this calculation formed the bulk of school districts' income, and was annually increased to adjust for changes in the cost of living. The revenue limit for each school district or county office of education was funded first by the property tax revenue available to that entity, with the remaining balance filled by State funds. "Community-funded" school districts whose local property tax revenues exceeded their calculated revenue limit did not receive State revenue limit funding, although such school districts did receive the constitutionally required minimum funding, or "basic aid" per pupil, and categorical State and federal aid that was restricted to specific programs and purposes.

In landmark legislation, the fiscal year 2013-14 State budget replaced revenue limit funding with the LCFF. The LCFF transfers control over spending decisions to local authorities, requiring community input about those spending decisions along with increased transparency and accountability for the outcomes of those decisions. The general-purpose funds for school districts are now funneled through LCFF, and funds received through categorical programs are greatly reduced. As under the revenue limit system, the amount a school district is entitled to receive for general-purpose LCFF funds is financed through the local property tax revenue available to the school district, with the remaining balance funded by the State.

Most public education funding from the State is provided through the LCFF, including approximately 80 percent of Proposition 98 funding for K-12 public education. As under the revenue limit system, school districts continue to receive funds based on the greater of prior year or current year ADA figures. Under LCFF, school districts across the State receive the same base grants for each grade span, based on ADA. In fiscal year 2018-19, the adjusted base grants are $8,235 for kindergarten through third grade, $7,571 for fourth through sixth grade, $7,796 for seventh through eighth grade, and $9,269 for ninth through twelfth grade. These figures include increases for class size reduction for kindergarten through third grade and career technical education for ninth through twelfth grade.

School districts receive a supplemental grant of 20 percent of the base grant for each student in the school district who is low-income, English-learner, or foster youth. Enrollment counts are "unduplicated," such that students may not be counted as both English-learner and low-income (foster youth automatically meet the eligibility requirements for free or reduced-price meals, and are therefore not discussed separately). School districts with more than 55 percent enrollment of unduplicated students receive a concentration grant, an additional 50 percent of the base grant for each unduplicated student above the threshold, intended to address the additional academic challenges faced by such students when their peers are similarly disadvantaged. The supplemental and concentration grants are allocated so that as a school district's proportion of unduplicated students increases, so does its total funding allocation. A school district in which 100 percent of enrollment is unduplicated students will receive 42.5 percent more total funding than a school district with no unduplicated students. The supplemental and concentration grant amounts are based on the unduplicated count of pupils divided by the total enrollment in the school district, based on the fall P-1 certified enrollment report. School districts have broad discretion to decide how to spend the base grant. The supplemental and concentration grants must be used to increase or improve services to the population they are intended to serve, although some services may be provided school district - or site-wide.

The implementation of LCFF began in fiscal year 2013-14, with full implementation planned by fiscal year 2020-21, but was completed ahead of schedule in fiscal year 2018-19. Until full implementation has occurred, the difference between the actual amount school districts receive in a year and the target amount they will receive as of full implementation is referred to as the "funding gap." The funding gap is determined by the difference between the "funding floor," or amount of funding a school district received the prior year, and the target amount of funding the school district will receive at full implementation. The funding floor consists of the deficited revenue limit for fiscal year 2012-13 divided by ADA multiplied by current year ADA, plus the sum of any categorical funding. Sufficient funding was available to fund 12 percent of the funding gap in fiscal year 2013-14, 33 percent of the remaining gap in fiscal year 2014-15, 53 percent of the remaining gap in fiscal year 2015-16, 57 percent of the remaining gap in fiscal year 2016-17, 43 percent of the remaining gap in fiscal year 2017-18, and 100 percent of the remaining gap in fiscal year 2018-19, bringing LCFF to full implementation in the sixth year of its implementation.

Under the "hold harmless" provision, no school district will receive less State aid than it received in fiscal year 2012-13. Most school districts will receive more funding at full implementation of LCFF than they did previously under the revenue-limit system. For some school districts, their per-pupil undeficited fiscal year 2012-13 funding was higher than their LCFF entitlement at full implementation. Such school districts will have their undeficited funding level restored through a supplemental ERT add-on payment. School districts that are eligible for ERT funding will receive the difference between their LCFF target and their LEA's fiscal year 2012-13 undeficited funding, adjusted for cost-of-living increases.

Community-funded school districts continue to receive at least the amount of State funding they received in fiscal year 2012-13. Although community-funded school districts do not receive LCFF funding grants, they must comply with the regulations and accountability requirements of LCFF. Community-funded school districts also continue to receive the constitutionally guaranteed $120 per-pupil minimum as well the $200 per-pupil minimum from the EPA pursuant to Proposition 30 as additional revenue. The School District is not a community-funded school district.

The State funds school districts in monthly installments based on calculations made in a series of three apportionments throughout the fiscal year. Each apportionment includes funding for the LCFF and for other State programs. The amount of each apportionment is based on calculations made by each school district and reviewed by its county office of education. The Advance Principal Apportionment ("Advance Apportionment"), certified by July 20, sets forth the amount the school district will receive for the year, paid in a series of installments from August through January. The First Principal Apportionment ("P-1 Apportionment"), certified by February 20, set forth a new calculation based on the school district's first period ADA determined as of December, for installments that will be paid to the school district from February through June. The Second Principal Apportionment ("P-2 Apportionment"), certified July 2, based on second period ADA determined as of April, recalculates the amount of the final installment for the fiscal year paid to the school district in July. At the close of the fourth quarter, a final annual recalculation ("Annual Apportionment") provides an updated estimate of the prior year's adjustment.

In addition, school districts receive a quarterly allocation of the tax revenue deposited in the EPA from the temporary tax increases associated with Proposition 30 and extended under Proposition 55. The funds in the EPA are allocated between K-12 school districts and community college districts by 89 percent and 11 percent, respectively, and entitlements are calculated based on the adjusted LCFF entitlement of the school district. The EPA funds received by an LCFF-funded school district count towards the school district's LCFF funding entitlement; community-funded school districts also receive the $200 per-pupil EPA funding. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND EXPENDITURES" herein.

The LCFF requires each school district to demonstrate that its spending decisions are producing the desired results of increased student performance as stated in each school district's own LCAP. Each school district must create its own annually updated LCAP with input from teachers, parents and the community, including the parents or guardians of unduplicated students. School districts must review and share the results to determine whether spending achieved the goals stated in the LCAP, for each school site and for the school district as a whole. All school districts must use the State's LCAP template beginning fiscal year 2014-15. The LCAP must include a description of the annual goals to be achieved for each student group for each State priority, including the content standards adopted by the SBE. The LCAP of each school district is overseen and approved by the county superintendent.

Charter schools must comply with LCFF and receive mostly the same funds as public schools, although calculation of targeted disadvantaged students differs somewhat to prevent abuse of the system. There are also differences in the process of LCAP adoption and assessment. In the case of a charter school that fails to perform according to its LCAP, the State is not required to provide the same support that a public school district or county office of education receives, and its charter can be revoked.

Federal Funding. According to the LAO, federal revenue accounted for approximately nine percent of the State's K-12 public education funding in fiscal years 2016-17 and 2017-18, and is budgeted to account for approximately nine percent of funding in fiscal year 2018-19. Most of these funds are designated for particular purposes. There are no unfunded federal education mandates; each is conditioned on a state's voluntary decision to accept federal program funds. The primary source of federal supplemental education funding is the Elementary and Secondary Education Act ("ESEA") (1965), enacted to address inequality in education. The previous authorization of ESEA, the No Child Left Behind Act ("NCLB") (2001), expanded the federal government's role and increased testing requirements to measure improvement. Most recently reauthorized under the Every Student Succeeds Act ("ESSA") (2015), responsibility for school improvement has been shifted to the states. ESSA provides funding through six programs: Title I grants, tied to student assessment, to assist economically disadvantaged children; Title II grants for professional development; Title III grants for ancillary student services; Title IV grants for research and training; Title V grants for state departments; and Title VI grants for special education. Another significant source of federal funding for school districts is the Education for All Handicapped Children Act ("EHA") (1975), enacted to support special education and related services, reauthorized by the Individuals with Disabilities Education Act ("IDEA") (1990). The largest of the law's three sections, Part B, authorizes grants to states and local school districts to offset special education costs. As of fiscal year 2017, IDEA federal funding covered 14.6 percent of the estimated excess cost of educating students with disabilities; the shortfall is assumed by states and local school districts.

Local Property Tax Revenue. According to the LAO, local property taxes revenue accounted for approximately 24 percent of the State's K-12 public education funding in fiscal year 2016-17 and approximately 25 percent of funding in fiscal year 2017-18, and is budgeted to account for approximately 25 percent of funding in fiscal year 2018-19. Property taxes are constitutionally limited to one percent of the property's value, except to repay voter-approved debt.

Other Local Funds. According to the LAO, local miscellaneous revenue accounted for approximately five percent of the State's K-12 public education funding in fiscal years 2016-17 and 2017-18, and is budgeted to account for approximately five percent of funding in fiscal year 2018-19. There are several types of revenue a school district may receive from other local sources, including developer fees, parcel taxes, property lease revenues, and private donations. A school district may levy developer fees on new residential or commercial development within the school district's boundaries to finance the construction or renovation of school facilities. A school district may, with two-thirds approval from local voters, levy special taxes on parcels to fund specific programs within the school district. A school district may lease or sell its unused sites or facilities as another source of revenue. A school district may also seek contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses.

<u>The State Budget Process</u>

Under the State Constitution, money may be drawn from the California Centralized Treasury System (the "State Treasury") only by an appropriation authorized by law. The primary source of annual appropriations authorizations is the budget act approved by the State Legislature and signed by the Governor (the "Budget Act"), which can provide for projected expenditures only to the amount of projected revenues and balances available from prior fiscal years.

The annual budget cycle begins when the Governor releases a proposed budget in January for the next fiscal year, which starts each July 1 and ends June 30. The Governor releases a revised budget in May based on new projections regarding State revenues and feedback from the State Legislature and other constituents. The State Constitution requires that the State Legislature pass the Budget Act by June 15 by majority approval from both Houses. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature.

Appropriations may also be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the State Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the State Legislature, and be signed by the Governor. The State Constitution or a State statute may also provide for continuing appropriations that are available without regard to fiscal year. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

<u>The 2019-20 State Budget</u>

On June 27, 2019, the Governor signed into law the 2019-20 State Budget. Under the 2019-20 State Budget, State general fund revenues and transfers total $143.8 billion, an increase of $5.8 billion (4.2 percent) from revised fiscal year 2018-19 estimates. The State's largest three sources of general fund tax revenue – personal income taxes, sales and use taxes, and corporate taxes – are projected to increase by 3.3 percent in fiscal year 2019-20 to $142.8 billion. State general fund expenditures in fiscal year 2019-20 are budgeted to be $147.8 billion, an increase of $5.1 billion (3.6 percent) from revised fiscal year 2018-19 levels. The spending plan includes $3.6 billion to pay down a portion of the State's unfunded STRS and PERS liabilities, with an additional $2.3 billion to pay down a portion of local education agencies' unfunded STRS and PERS liabilities.

The 2019-20 State Budget allocates the majority of the projected $21.5 billion in discretionary resources to one-time spending and reserves, with $9.1 billion to reduce debts and liabilities (excluding an additional $2.2 billion in constitutionally mandated debt payments), $6.5 billion to one-time programmatic spending, $2.1 billion to optional reserves and $4 billion to new ongoing programmatic spending. The State budgets ending fiscal year 2019-20 with total available general fund reserves of $19.2 billion, including $1.4 billion in the Special Fund for Economic Uncertainties (SFEU) reserve, $16.5 billion in the Budget Stabilization Account, $900 million in the Safety Net Reserve and $377 million in the Public School System Stabilization Account (PSSSA) established under Proposition 2 (2014), the first time a deposit to the PSSSA would occur.

The following table from the LAO identifies historical and budgeted State general fund revenues and expenditures under the 2019-20 State Budget.

State General Fund
2019-20 State Budget

	2018-19 Revised (Millions)	2019-20 Enacted (Millions)
Prior-year Fund Balance	$11,419	$6,772
Revenues and Transfers	138,047	143,804
Expenditures	142,693	147,781
Ending Fund Balance	$6,772	$2,796
Encumbrances	1,385	1,385
Special Fund for Economic Uncertainties	5,387	1,411
Reserves		
Special Fund for Economic Uncertainties	$5,387	$1,411
Budget Stabilization Account	14,358	16,516
Safety Net Reserve	900	900
Public School System Stabilization Account	--	377
Total Reserves	$20,645	$19,204

Source: The State Legislative Analyst's Office.

Education Funding. The 2019-20 State Budget includes total K-12 education funding of $103.4 billion ($58.8 billion from the State general fund and $44.6 billion from other State funds). The 2019-20 State Budget funds the Proposition 98 minimum guarantee at $81.1 billion, an increase of $2.9 billion (3.7 percent) from revised fiscal year 2018-19 levels. The minimum guarantee for fiscal year 2018-19 is determined under Proposition 98's Test 1 (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein). Of the $81.1 billion Proposition 98 spending budgeted for fiscal year 2019-20, $55.9 billion is from the State general fund and $25.2 billion is from local property tax revenue. Proposition 98 K-12 per-pupil expenditures are budgeted to be $11,993 in fiscal year 2019-20, an increase of $444 (3.8 percent) per pupil from revised fiscal year 2018-19 levels.

The 2019-20 State Budget includes a constitutionally required deposit into the PSSSA of $377 million. The deposit does not initiate a cap on school district reserves because the balance in the PSSSA is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 guarantee. The 2019-20 State Budget also includes changes to the Proposition 98 certification process which, as a result, protect local education agencies from unanticipated revenue drops in past fiscal years.

The 2019-20 State Budget includes a $3.15 billion non-Proposition 98 general fund payment on behalf of local education agencies to STRS and PERS. Of this amount, $2.3 billion will be used to reduce local education agencies' long-term unfunded liability, while approximately $850 million will be used to cover a portion of local education agencies' STRS and PERS payments in fiscal years 2019-20 and 2020-21. As a result, STRS contribution rates drop from 18.13 percent to 17.1 percent in fiscal year 2019-20 and from 19.1 percent to 18.4 percent in fiscal year 2020-21, while PERS contribution rates drop from 20.7 percent to 19.7 percent in fiscal year 2019-20 and from 23.6 percent to 22.9 percent in fiscal year 2020-21.

Additional significant adjustments regarding K-12 education funding contained in the 2019-20 State Budget include:

- *LCFF:* $1.9 billion in new funding for LCFF, reflecting a 3.26 percent COLA.

- *Proposition 98 Settle-Up*: $686.6 million 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, an increase of 19.3 percent from the prior year, including $152.6 million to provide special education local plan areas (SELPAs) with at least the statewide target rate for base special education funding and $492.7 million for special education allocated based on the number of children ages three to five with exceptional needs that the school district is serving.

- *Full-Day Kindergarten:* $300 million in one-time non-Proposition 98 funding to construct new and retrofit existing facilities to support full-day kindergarten programs.

- *After-School Programs:* $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3 percent to the per-pupil daily rate for After School Education and Safety Program (ASES) resulting primarily from the recent increase in the minimum wage.

- *Retaining and Supporting Educators:* $89.8 million in one-time non-Proposition 98 funding to recruit teachers in hard-to-hire subject areas as well as at school sites that currently have the highest rates of non-credentialed or waiver teachers. Additionally, the 2019-20 State Budget includes $43.8 million in one-time Proposition 98 funding to provide training and resources for classroom educators, including teachers and paraprofessionals. The 2019-20 State Budget also includes $13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy to provide learning opportunities to K-12 administrators to improve their ability to successfully support California's diverse student population.

- *Classified School Employees Summer Assistance Program*: An increase of $36 million in one-time Proposition 98 funding to provide an additional year of funding for the Classified School Employees Summer Assistance Program (which provides a State match for classified employee savings used to provide income during summer months).

- *Proposition 51 School Facilities Bond Funds:* $1.5 billion in Proposition 51 bond funds, an increase of $906 million from the prior year, to support school construction projects.

The following table from the LAO identifies historical and budgeted Proposition 98 funding under the 2019-20 State Budget.

Proposition 98 Funding
2019-20 State Budget

	2017-18 Final (Millions)	2018-19 Revised (Millions)	2019-20 Enacted (Millions)
Funding By Segment			
K-12 Education[1]	$66,839	$68,973	$71,243
Community Colleges	8,737	9,173	9,437
Proposition 98 Reserve Deposit[2]	--	--	377
Total	$75,576	$78,146	$81,056
Funding By Source			
General Fund	$52,951	$54,445	$55,891
Local Property Tax Revenue	22,625	23,701	25,166
Total	$75,576	$78,146	$81,056

[1]Includes funding for instruction provided directly by State agencies and the portion of State preschool funded through Proposition 98.
[2]Consists entirely of general fund.
Figures may not total due to rounding.
Source: The State Legislative Analyst's Office.

The 2020-21 State Budget

When the Governor released the proposed State budget for fiscal year 2020-21 in January 2020, the State projected a general fund surplus of $5.6 billion. By May 2020, when the 2020-21 May Revision was released, the State confronted a budget deficit of $54.3 billion—a four-month swing of $60 billion caused by the COVID-19 recession. The 2020-21 State Budget, signed into law by the Governor on June 29, 2020, brings the State's resources and spending into balance while preserving reserves for future years through the following actions:

- *Reserves.* The 2020-21 State Budget draws down $8.8 billion in reserves from the Budget Stabilization Account ($7.8 billion), the Safety Net Reserve ($450 million) and all of the funds in the PSSSA.

- *Spending Triggers*. The 2020-21 State Budget includes $11.1 billion in spending reductions and deferrals (including $6.6 billion in deferred funding for schools) that will be restored if at least $14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount (between $2 billion and $14 billion), the reductions and deferrals will be partially restored.

- *Federal Funding.* The 2020-21 State Budget relies on $10.1 billion in federal funds that provide State general fund relief, including $8.1 billion already received.

- *Increased Revenues.* The 2020-21 State Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations are projected to generate $4.4 billion in incremental revenues in fiscal year 2020-21.

- *Borrowing/Transfers/Reduction.* The 2020-21 State Budget relies on $9.3 billion in special fund borrowing and transfers as well as other deferrals for K-14 schools. Approximately $900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.

- *Cancelled Expansions, Updated Assumptions and Other Solutions.* The remaining $10.6 billion of budget solutions includes cancelling multiple program expansions, anticipating increased government efficiencies, higher ongoing revenues above those forecast in the 2020-21 May Revision, and lower health and human services caseload costs than those forecast in the 2020-21 May Revision.

Under the 2020-21 State Budget, State general fund revenues and transfers total $139.8 billion, a 0.1 percent increase from revised fiscal year 2019-20 estimates. The following table from the State Department of Finance identifies State general fund revenue sources in the 2020-21 State Budget.

State General Fund Revenue Sources
2020-21 State Budget

	2019-20 Revised (Millions)	2020-21 Enacted (Millions)	Dollar Change (Millions)	Percent Change
Personal Income Tax	$95,566	$77,567	($17,999)	(18.8%)
Sales and Use Tax	24,941	20,583	(4,358)	(17.5)
Corporation Tax	13,870	16,534	2,664	19.2
Insurance Tax	3,052	2,986	(66)	(2.2)
Alcohol Beverage Taxes and Fees	385	389	4	1.0
Cigarette Tax	58	56	(2)	(3.2)
Motor Vehicle Fees	31	40	9	27.4
Other	1,842	11,758	9,916	538.3
Subtotal	$139,745	$129,913	($9,832)	(7.0%)
Transfer to the Budget Stabilization Account	(2,120)	7,806	9,926	468.2
Total	$137,625	$137,710	$94	0.1%

Source: The State Department of Finance.

State general fund expenditures in fiscal year 2020-21 are budgeted to be $133.9 billion, a decrease of $13.0 billion (8.9 percent) from revised fiscal year 2019-20 levels. The 2020-21 State Budget includes estimated spending of $5.7 billion to respond directly to the COVID-19 pandemic, of which the State expects to be reimbursed for approximately 75 percent.

The State budgets ending fiscal year 2020-21 with $2.6 billion in the Special Fund for Economic Uncertainties (SFEU) reserve, $8.3 billion in the Budget Stabilization Account and $450 million in the Safety Net Reserve. Included within the Special Fund for Economic Uncertainties is a $716 million reserve so the State can respond to the changing conditions of the COVID-19 pandemic.

The following table from the State Department of Finance identifies historical and budgeted State general fund revenues and expenditures under the 2020-21 State Budget.

State General Fund
2020-21 State Budget

	2019-20 Revised (Millions)	2020-21 Enacted (Millions)
Prior-year Fund Balance	$11,280	$1,972
Revenues and Transfers	137,625	137,719
Total Resources Available	$148,905	$139,691
Non-Proposition 98 Expenditures	$94,277	$88,834
Proposition 98 Expenditures	52,656	45,066
Total Expenditures	$146,933	$133,900
Fund Balance	$1,972	$5,791
Encumbrances	3,175	3,175
Special Fund for Economic Uncertainties	(1,203)	2,616
COVID Reserve	--	(716)
Safety Net Reserve	$900	$450
Budget Stabilization Account	16,116	8,310

Source: The State Department of Finance.

Education Funding. The 2020-21 State Budget includes total K-12 education funding of $98.8 billion ($48.1 billion from the State general fund and $50.7 billion from other State funds) in fiscal year 2020-21. The 2020-21 State Budget estimates Proposition 98 funding levels of $78.5 billion, $77.7 billion, and $70.9 billion in fiscal years 2018-19, 2019-20, and 2020-21, respectively. For K-12 schools, this results in Proposition 98 per pupil spending of $10,654 in fiscal year 2020-21—a $1,339 decrease over fiscal year 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreases by approximately $542 per pupil to $16,881. Due to declining State general fund revenues, the constitutional Proposition 98 guarantee level of $70.9 billion for fiscal year 2020-21 is more than $10 billion below the minimum guarantee for fiscal 2019-20 at the time the 2019-20 State Budget was enacted.

To mitigate the negative impacts of the State’s revenue decline on funding for local education agencies, the 2020-21 State Budget includes the following provisions:

- *Deferrals.* The 2020-21 State Budget includes $1.9 billion of LCFF apportionment deferrals in fiscal year 2019-20, growing to $11 billion of LCFF apportionment deferrals in fiscal year 2020-21. These deferrals allow fiscal year 2020-21 LCFF funding to remain at fiscal year 2019-20 levels—the 2020-21 State Budget suspends the statutory LCFF cost-of-living adjustment in fiscal year 2020-21. $5.8 billion of the fiscal year 2020-21 deferrals will be triggered off if the federal government provides sufficient funding that can be used for this purpose.

- *Learning Loss Mitigation*. The 2020-21 State Budget includes a one-time investment of $5.3 billion ($4.4 billion federal Coronavirus Relief Fund, $539.9 million Proposition 98 State general fund, and $355.2 million federal Governor’s Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

- *Supplemental Appropriations.* In fiscal years 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2) by a total of approximately $12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in fiscal year 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5

percent of State general fund revenues per year, up to a cumulative total of $12.4 billion. Proposition 98 currently guarantees that K-14 local education agencies receive approximately 38 percent of State general fund revenues in Test 1 years. The supplemental appropriations included in the 2020-21 State Budget increase this share of funding to 40 percent by fiscal year 2023-24.

- *Revised PERS and STRS Contributions.* To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019-20 State Budget to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. This reallocation reduces the STRS employer rate from 18.41 percent to approximately 16.15 percent in fiscal year 2020-21 and from 17.9 percent to 16.02 percent in fiscal year 2021-22. The PERS Schools Pool employer contribution rate is reduced from 22.67 percent to 20.7 percent in fiscal year 2020-21 and from 24.6 percent to 22.84 percent in fiscal year 2021-22.

- *Federal Funds.* In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocated to K-12 education, the 2020-21 State Budget appropriates $1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90 percent ($1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs.

- *Temporary Revenue Increases.* The 2020-21 State Budget proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than $5 million of tax liability per year. This, along with other tax changes, generates a net $4.3 billion in State general fund revenues and approximately $1.6 billion in benefit to the Proposition 98 minimum guarantee.

- *Special Education.* The 2020-21 State Budget increases special education base rates to $625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides $100 million to increase funding for students with low-incidence disabilities.

- *Average Daily Attendance.* To ensure funding stability regardless of the instructional model (in-classroom, distance learning, or a combination of both), the 2020-21 State Budget includes a hold harmless for the ADA used to calculate school funding for all local educational agencies. Specifically, ADA for fiscal year 2020-21 will be based on the 2019-20 year (except for new charter schools), and local educational agencies are exempted from the annual minimum instructional minutes requirement. Further, while minimum daily instructional minutes and minimum instructional day requirements are maintained, they may be met through a combination of in-person and distance learning instruction. Additionally, the 2020-21 State Budget includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

- *Employee Protections.* To ensure the continuity of employment for essential school staff during the COVID-19 pandemic, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff as well as the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in fiscal year 2020-21.

Future Budgets

The School 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 or 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 School District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. State budget shortfalls in future fiscal years could have an adverse financial impact on the School District.

For more information on the State budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the LAO's website at www.lao.ca.gov. The School District takes no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of the information presented therein, and such information is not incorporated herein by such reference.

LEGAL MATTERS

Litigation

There is no action, suit or proceeding known by the School District to be pending or threatened restraining or enjoining the sale or delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the School District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of Stanislaus County or Merced County to levy *ad valorem* property taxes to pay principal of and interest on the Bonds when due.

The School District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the School District. The School District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the School District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the School District. The School District cannot predict what types of claims may arise in the future.

Legal Opinion

The proceedings in connection with the authorization, sale, execution and delivery of the Bonds are subject to the approval as to their legality by Parker & Covert LLP as Bond Counsel. A form of the proposed legal opinion is attached hereto as "APPENDIX C—FORM OF OPINION OF BOND COUNSEL."

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering the aforementioned opinion. Bond Counsel has not been engaged by the School District to undertake, and has not undertaken, any responsibility for the accuracy, completeness, or fairness of this Official Statement, and the opinion of Bond Counsel will not extend to any documents, agreements, representations, offering circulars, official statements or other material of any kind concerning the Bonds that are not referred to in the aforementioned opinion. The fees of Bond Counsel are contingent upon the issuance and delivery of the Bonds.

Limitations on Remedies; Amounts Held in the Stanislaus County Pool

The opinion of Bond Counsel with respect to the enforceability of the rights of the Registered Owners and Beneficial Owners is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the Registered Owners and Beneficial Owners 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.

A number of appeals are currently pending before the United States Court of Appeals for the First Circuit involving issues relating to the treatment and scope of special revenues in the insolvency proceedings of Puerto Rico. The decisions in these appeals may or may not affect the treatment or scope of special revenues in bankruptcy cases. It is not possible to predict the outcomes or the effects of the outcomes in these appeals, and the School District cannot predict if or how the ruling in the pending appeals may affect the treatment or scope of special revenues in bankruptcy cases.

Stanislaus County, on behalf of the School 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 Stanislaus County Pool, as described under the caption "STANISLAUS COUNTY TREASURY POOL" herein and in "APPENDIX D—STANISLAUS COUNTY TREASURY POOL INVESTMENT POLICY" attached hereto. In the event the School District or Stanislaus County were to go into bankruptcy, a federal bankruptcy court might hold that the Registered Owners and Beneficial Owners are unsecured creditors with respect to any funds received by the School District or by Stanislaus County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Tax Collection Fund, where such amounts are deposited into the Stanislaus County Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Registered Owners and Beneficial Owners can "trace" those funds. There can be no assurance that the Registered Owners and Beneficial Owners could successfully so "trace" such taxes on deposit in the Tax Collection Fund where such amounts are invested in the Stanislaus County Pool. The Resolution and the Government Code require Stanislaus County and Merced County to annually levy *ad valorem* property taxes upon all property subject to taxation by the School District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds.

Tax Matters

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

In the opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX C—FORM OF OPINION OF BOND COUNSEL" attached hereto.

The amount, if any, by which the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and which is exempt from State personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons, or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable on their respective maturity dates (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations the amount of tax-exempt interest received, will be reduced by the amount of amortizable premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Internal Revenue Code of 1986, as amended, (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds. Prospective Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Resolution, the tax certificate to be entered into on the date of issuance of the Bonds (the "Tax Certificate"), and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Parker & Covert LLP, Sacramento, California.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity 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 creditor's 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.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and target audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in "APPENDIX C—FORM OF OPINION OF BOND COUNSEL" attached hereto.

Legality for Investment in California

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

RATING

Moody's Investors Service ("Moody's") has assigned a municipal bond rating of "Aa3" to the Bonds. Such rating reflects only the views of Moody's, and an explanation of the significance of such rating may be obtained from Moody's. Moody's may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its rating on information and material so furnished and on investigations, studies and assumptions made by them. The rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of the rating agency, circumstances so warrant. The School District has not undertaken any responsibility to assure the maintenance of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Government Financial Strategies inc. has been employed by the School District to perform municipal advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as Municipal Advisor, has prepared this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

INDEPENDENT AUDITOR

The financial statements of the School District as of and for the year ended June 30, 2019, have been audited by Eide Bailly LLP, Fresno, California. The audited financial statements of the School District as of and for the year ended June 30, 2019, are set forth in "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE YEAR ENDED JUNE 30, 2019" attached hereto. The School District has not requested nor did the School District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

UNDERWRITING AND INITIAL OFFERING PRICE

Following a competitive sale process, the Bonds will be purchased by _______________ (the "Underwriter") pursuant to a bond purchase agreement (the "Purchase Agreement") by and between the School District and the Underwriter at a price of $_______ (equal to the principal amount of the Bonds of $_______, plus a net original issue premium of $______, less an underwriting discount of $______). The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriter intends to offer the Bonds to the public at the initial offering prices and yields stated on the inside cover page hereof. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than said public offering prices. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The School District will covenant for the benefit of the Underwriter, the Registered Owners and the Beneficial Owners of the Bonds to annually provide certain financial information and operating data relating to the School District (the "Annual Report") by not later than nine and one-half months after the end of the fiscal year, commencing with the report for fiscal year 2019-20 (which is due no later than April 15, 2021), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the School District with the MSRB through EMMA. The specific nature of the information to be contained in the Annual Report and the notices is specified in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants are being made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In the past five years, the School District has not complied in all respects with its previous undertakings with regard to said Rule to provide annual reports and notices of significant events. The following notices of significant events were posted more than ten business days after their occurrence:

- On December 19, 2017, S&P Global Ratings ("S&P") upgraded the underlying ratings of the 2013 Refunding Bonds, the 2015 USD Refunding Bonds and the 2015 SFID Refunding Bonds. Notices of the upgrades were not posted until March 20, 2018. Since the bond insurer for the 2013 Refunding Bonds, the 2015 USD Refunding Bonds and the 2015 SFID Refunding Bonds was rated "AA" by S&P, the rating on the 2013 Refunding Bonds, the 2015 USD Refunding Bonds and the 2015 SFID Refunding Bonds remained "AA" after the underlying rating upgrade.

As of the date of this Official Statement, the School District believes that it has made all required filings in the past five years for currently outstanding issues in connection with prior undertakings under the Rule.

ADDITIONAL INFORMATION

Additional information concerning SFID No. 1, the School District, the Legal Documents or other matters concerning the sale and delivery of the Bonds may be obtained by contacting Turlock Unified School District, 1574 East Canal Drive, Turlock, California 95380, (209) 667-0632, Attention: Assistant Superintendent, Business Services, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

All of the preceding summaries of the Bonds, the Resolution, the Paying Agent Agreement and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the School District for further information in connection therewith. Further, this Official Statement does not constitute a contract with the purchasers of the Bonds, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the School District has been duly authorized by the School Board.

Turlock Unified School District

By: ______________________________
Dana Salles Trevethan
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019

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Annual Financial Statements
June 30, 2019

Turlock Unified School District

EideBailly

eidebailly.com

TURLOCK UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Turlock Unified School District
Turlock, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

What inspires you, inspires us. eidebailly.com

6051 N. Fresno St., Ste. 101 Fresno, CA 93710-5280 T 559.248.0871 F 559.248.0875 EOE

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Turlock Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Turlock 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 December 16, 2019, on our consideration of the Turlock 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 Turlock 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 Turlock Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fresno, California
December 16, 2019

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Turlock Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of resources of the District (including capital assets), as well as all liabilities and deferred inflows of resources (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 three categories of activities: governmental, proprietary, and fiduciary.

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

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

The *Fiduciary Funds* are 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 Turlock Unified School District.

1574 E. Canal Drive, PO Box 819013 • Turlock, CA 95381-9013 Ph (209) 667-0632 Fax (209) 669-6457

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's cafeteria vending program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities*. An internal service fund is used to report activities that provide services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements. The District's Cafeteria Enterprise Fund is used to report the District's business-type activities for its vending program.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $76.0 million for the fiscal year ended June 30, 2019, and $73.2 million for the fiscal year ended June 30, 2018; an increase of $2.8 million. Of this amount, $24.4 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Assets						
Current and other assets	$ 166,233,480	$ 122,847,116	$ 43,386,364	$ 19,349	$ 3,902	$ 15,447
Capital assets	178,907,745	168,361,719	10,546,026	80,494	89,189	(8,695)
Total Assets	345,141,225	291,208,835	53,932,390	99,843	93,091	6,752
Deferred Outflows of Resources	47,787,766	46,194,541	1,593,225	7,133	6,824	309
Liabilities						
Current liabilities	12,170,075	12,333,734	(163,659)	4,244	5,928	(1,684)
Long-term liabilities	128,587,681	81,786,841	46,800,840	-	-	-
Aggregate net pension liability	167,522,345	160,429,186	7,093,159	19,791	17,346	2,445
Total Liabilities	308,280,101	254,549,761	53,730,340	24,035	23,274	761
Deferred Inflows of Resources	9,359,547	9,625,130	(265,583)	75	367	(292)
Net Position						
Net investment in capital assets	128,946,094	124,481,491	4,464,603	80,494	89,189	(8,695)
Restricted	24,424,477	19,756,514	4,667,963	-	-	-
Unrestricted	(78,081,228)	(71,009,520)	(7,071,708)	2,372	(12,915)	15,287
Total Net Position	**$ 75,289,343**	**$ 73,228,485**	**$ 2,060,858**	**$ 82,866**	**$ 76,274**	**$ 6,592**

The $75.3 million net position of the governmental activities represents the accumulated results of all past years' governmental operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by $7.1 million.

Changes in Net Position

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

Table 2

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues						
Program revenues:						
Charges for services	$ 5,446,304	$ 5,353,375	$ 92,929	$ 74,361	$ 109,364	$ (35,003)
Operating grants and contributions	35,414,937	31,252,587	4,162,350	640	-	640
General revenues:						
Federal and State aid not restricted	114,136,843	106,363,736	7,773,107	-	-	-
Property taxes	39,702,086	36,614,831	3,087,255	-	-	-
Other general revenues	8,703,067	6,433,366	2,269,701	33,113	10,884	22,229
Total Revenues	203,403,237	186,017,895	17,385,342	108,114	120,248	(12,134)
Expenses						
Instruction-related	152,939,549	131,870,104	21,069,445	-	-	-
Pupil services	17,341,467	15,678,115	1,663,352	-	-	-
Administration	8,829,488	7,769,145	1,060,343	-	-	-
Plant services	13,862,242	13,433,381	428,861	-	-	-
Other	8,369,633	7,945,420	424,213	101,522	116,809	(15,287)
Total Expenses	201,342,379	176,696,165	24,646,214	101,522	116,809	(15,287)
Change in Net Position	**$ 2,060,858**	**$ 9,321,730**	**$ (7,260,872)**	**$ 6,592**	**$ 3,439**	**$ 3,153**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $201.3 million as compared to $176.7 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $39.7 million because the cost was paid by those who benefited from the programs ($5.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($35.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $114.1 million in State and Federal unrestricted funds and with $8.7 million in other revenues, like interest and general entitlements.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $154.2 million as compared to $110.7 million in the prior year, which is an overall increase of $43.5 million from last year. The General Fund balance increased by more than $2.5 million primarily due to increased State funding. The Building Fund showed an increase of $36.7 million due primarily to the issuance of general obligation bonds. The Special Reserve Capital Outlay Fund showed little change as transfers in for current capital projects from the General Fund and interest earnings approximated capital outlay. The District's non-major governmental funds increased by approximately $4.1 million due primarily to an increase in the Bond Interest and Redemption Fund as property taxes levied for debt service exceeded current required debt payments.

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. A schedule showing the District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in our annual report. The District budgeted a decrease in General Fund balance of approximately \$9.5 million, however, revenues and other sources were about \$8.8 million more than expected, and expenditures and transfers out were approximately \$3.2 million less than expected, leaving the fund with an actual increase of about \$2.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$178.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment (net of accumulated depreciation). This amount represents a net increase (including additions, deductions and depreciation) of \$10.5 million from last year.

Table 3

	Governmental Activities		
	2019	2018	Change
Land and construction in progress	$ 26,905,676	$ 16,507,665	$ 10,398,011
Buildings and improvements	267,131,448	260,096,476	7,034,972
Equipment	19,631,020	18,604,659	1,026,361
Less accumulated depreciation	(134,760,399)	(126,847,081)	(7,913,318)
Total	**$ 178,907,745**	**$ 168,361,719**	**$ 10,546,026**

Additions include: the acquisition of land at 2818 W. Christoffersen Parkway, Turlock CA; the acquisition of land adjoining Osborn Two-Way Academy at 217 and 233 N. Soderquist Road, Turlock CA; Bond Measures N and O fencing and modernization projects; a swine facility, site improvements and equipment for facility at the district farm; parking on Canal Street across from Turlock High School; the replacement of aging vehicles and equipment; renovation of facilities at Wakefield Headstart, the Finance Department and West Wing in the District Office, Julien Elementary, Earl Elementary and Turlock High School; LED lighting throughout the District; security cameras at Cunningham Elementary, Wakefield Elementary, Walnut Elementary, Earl Elementary, Crowell Elementary, Turlock Junior High School, Pitman High School and the Maintenance and Operations Center. The District also disposed of assets that had been replaced, upgraded or that were no longer in use. We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had $128.6 million in long-term obligations outstanding versus $81.8 million last year, an increase of $46.8 million due to the issuance of general obligation bonds and capital leases. These obligations consisted of:

Table 4

	Governmental Activities		
	2019	2018	Change
General obligation bonds (including premiums)	$ 104,965,457	$ 61,777,127	$ 43,188,330
Certificates of participation	5,585,220	5,970,369	(385,149)
Children's facility loan	21,000	42,000	(21,000)
Compensated absences	239,323	232,603	6,720
Capital leases	2,009,633	-	2,009,633
Other postemployment benefits	15,767,048	13,764,742	2,002,306
Total	**$ 128,587,681**	**$ 81,786,841**	**$ 46,800,840**

The District's general obligation bond Moody's rating at the time of their last issuance was "Aa3". We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $167.5 million versus $160.4 million last year, an increase of $7.1 million. The District also reported deferred outflows of resources from pension activities of $46.7 million, and deferred inflows of resources from pension activities of $9.4 million. We present more detailed information regarding our NPL in the Notes to Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- Significant increased costs and contributions to Special Education
- Increased contributions to CalSTRS and CalPERS to cover projected liabilities for pension benefits earned to date
- Aging infrastructure which will require major repairs, updates, placement, and renovation
- Uncertainties with changes to LCFF and possible economic downturn

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Assistant Superintendent of Finance & Accountability, Turlock Unified School District, 1574 East Canal Drive, P.O. Box 819013, Turlock, CA 95380.

TURLOCK UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 157,470,811	$ 1,074	$ 157,471,885
Receivables	6,699,697	5,586	6,705,283
Internal balances (Due from other funds)	3,716	8,963	12,679
Prepaid expenses	1,352,573	-	1,352,573
Stores inventories	706,683	3,726	710,409
Capital assets not being depreciated	26,905,676	-	26,905,676
Capital assets being depreciated	286,762,468	183,492	286,945,960
Accumulated depreciation	(134,760,399)	(102,998)	(134,863,397)
Total Assets	345,141,225	99,843	345,241,068
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	403,038	-	403,038
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	717,119	-	717,119
Deferred outflows of resources related to pensions	46,667,609	7,133	46,674,742
Total Deferred Outflows of Resources	47,787,766	7,133	47,794,899
LIABILITIES			
Accounts payable	11,070,157	528	11,070,685
Accrued interest	851,937	-	851,937
Internal balances (Due to other funds)	8,963	3,716	12,679
Unearned revenue	239,018	-	239,018
Long-term obligations:			
Current portion of long-term obligations other than pensions	6,962,675	-	6,962,675
Noncurrent portion of long-term obligations other than pensions	121,625,006	-	121,625,006
Total Long-Term Obligations	128,587,681	-	128,587,681
Aggregate net pension liability	167,522,345	19,791	167,542,136
Total Liabilities	308,280,101	24,035	308,304,136
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	9,359,547	75	9,359,622
NET POSITION			
Net investment in capital assets	128,946,094	80,494	129,026,588
Restricted for:			
Debt service	7,900,304	-	7,900,304
Capital projects	7,060,164	-	7,060,164
Educational programs	7,739,094	-	7,739,094
Other activities	1,724,915	-	1,724,915
Unrestricted	(78,081,228)	2,372	(78,078,856)
Total Net Position	$ 75,289,343	$ 82,866	$ 75,372,209

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

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TURLOCK UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities			
Instruction	$ 130,107,476	$ 3,936,903	$ 21,978,025
Instruction-related activities:			-
Supervision of instruction	7,846,537	249,787	2,670,165
Instructional library, media, and technology	1,415,401	-	44,484
School site administration	13,570,135	2,242	1,441,770
Pupil services:			
Home-to-school transportation	2,605,357	-	77,944
Food services	6,965,191	644,171	5,761,177
All other pupil services	7,770,919	18,406	1,038,822
Administration:			
Data processing	2,344,744	-	74,674
All other administration	6,484,744	188,847	1,118,552
Plant services	13,862,242	2,042	497,728
Ancillary services	1,256,972	1,260	157,800
Community services	40	-	40
Enterprise services	39,903	1,142	12,024
Interest on long-term obligations	2,972,685	-	-
Other outgo	4,100,033	401,504	541,732
Total Governmental Activities	201,342,379	5,446,304	35,414,937
Business-Type Activities			
Enterprise services	101,522	74,361	640
Total School District	$ 201,443,901	$ 5,520,665	$ 35,415,577

General revenues and subventions:
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Interagency revenues
- Internal transfers
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (104,192,548)	$ -	$ (104,192,548)
(4,926,585)	-	(4,926,585)
(1,370,917)	-	(1,370,917)
(12,126,123)	-	(12,126,123)
(2,527,413)	-	(2,527,413)
(559,843)	-	(559,843)
(6,713,691)	-	(6,713,691)
(2,270,070)	-	(2,270,070)
(5,177,345)	-	(5,177,345)
(13,362,472)	-	(13,362,472)
(1,097,912)	-	(1,097,912)
-	-	-
(26,737)	-	(26,737)
(2,972,685)	-	(2,972,685)
(3,156,797)	-	(3,156,797)
(160,481,138)	-	(160,481,138)
-	(26,521)	(26,521)
(160,481,138)	(26,521)	(160,507,659)
29,873,996	-	29,873,996
8,246,055	-	8,246,055
1,582,035	-	1,582,035
114,136,843	-	114,136,843
3,729,823	(522)	3,729,301
77,532	-	77,532
-	33,635	
4,895,712	-	4,895,712
162,541,996	33,113	162,575,109
2,060,858	6,592	2,067,450
73,228,485	76,274	73,304,759
$ 75,289,343	$ 82,866	$ 75,372,209

TURLOCK UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	$ 57,871,005	$ 60,996,014	$ 21,320,930
Receivables	5,193,684	-	-
Due from other funds	309,708	47,600	-
Prepaid expenditures	547,427	805,146	-
Stores inventories	484,831	-	-
Total Assets	$ 64,406,655	$ 61,848,760	$ 21,320,930
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 8,757,125	$ 1,238,734	$ 395,195
Due to other funds	9	-	14,239
Unearned revenue	68,644	-	-
Total Liabilities	8,825,778	1,238,734	409,434
Fund Balances:			
Nonspendable	1,052,333	805,146	-
Restricted	7,460,777	59,804,880	-
Committed	10,968,064	-	-
Assigned	17,356,897	-	20,911,496
Unassigned	18,742,806	-	-
Total Fund Balances	55,580,877	60,610,026	20,911,496
Total Liabilities and Fund Balances	$ 64,406,655	$ 61,848,760	$ 21,320,930

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

Non-Major Governmental Funds	Total Governmental Funds
$ 16,575,505	$ 156,763,454
1,506,013	6,699,697
9	357,317
-	1,352,573
221,852	706,683
$ 18,303,379	$ 165,879,724
$ 679,103	$ 11,070,157
348,316	362,564
170,374	239,018
1,197,793	11,671,739
221,852	2,079,331
16,741,848	84,007,505
141,886	11,109,950
-	38,268,393
-	18,742,806
17,105,586	154,207,985
$ 18,303,379	$ 165,879,724

TURLOCK UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 154,207,985
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	$ 313,668,144	
Accumulated depreciation is	(134,760,399)	
Net Capital Assets		178,907,745
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.		(851,937)
An internal service fund is used by the District's management to charge the costs of the liability insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		707,357
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.		403,038
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	17,394,500	
Net change in proportionate share of net pension liability	1,975,833	
Difference between projected and actual earnings on pension plan investments	405,828	
Differences between expected and actual experience in the measurement of the total pension liability	3,609,681	
Changes of assumptions	23,281,767	
Total Deferred Outflows of Resources Related to Pensions		46,667,609

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

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

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (3,098,362)	
Difference between projected and actual earnings on pension plan investments	(4,546,232)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,714,953)	
Total Deferred Inflows of Resources Related to Pensions		$ (9,359,547)
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 amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date.		717,119
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(167,522,345)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	104,965,457	
Certificates of participation	5,585,220	
Children's facility loan	21,000	
Compensated absences	239,323	
Capital leases	2,009,633	
Other postemployment benefits (OPEB) liability	15,767,048	
Total Long-Term Obligations		(128,587,681)
Total Net Position - Governmental Activities		**$ 75,289,343**

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

TURLOCK UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
REVENUES			
Local Control Funding Formula	$ 137,772,236	$ -	$ -
Federal sources	8,171,756	-	-
Other State sources	20,234,424	-	-
Other local sources	14,180,884	963,498	625,630
Total Revenues	180,359,300	963,498	625,630
EXPENDITURES			
Current			
Instruction	118,810,903	-	-
Instruction-related activities:			
Supervision of instruction	6,896,001	-	-
Instructional library, media and technology	1,138,823	-	-
School site administration	12,258,895	-	-
Pupil services:			
Home-to-school transportation	1,918,758	-	-
Food services	-	-	-
All other pupil services	6,883,120	-	-
Administration:			
Data processing	2,596,072	-	-
All other administration	5,691,816	-	-
Plant services	13,252,069	-	-
Ancillary services	1,247,167	-	-
Community services	40	-	-
Other outgo	4,066,398	-	-
Enterprise services	-	-	-
Facility acquisition and construction	3,993,440	10,971,251	1,553,638
Debt service			
Principal	1,085,227	-	-
Interest and other	9,177	-	-
Total Expenditures	179,847,906	10,971,251	1,553,638
Excess (Deficiency) of Revenues Over Expenditures	511,394	(10,007,753)	(928,008)
Other Financing Sources (Uses)			
Transfers in	31,191	21,511	1,000,000
Other sources	3,094,860	46,687,000	-
Transfers out	(1,088,084)	-	(439)
Net Financing Sources (Uses)	2,037,967	46,708,511	999,561
NET CHANGE IN FUND BALANCES	2,549,361	36,700,758	71,553
Fund Balance - Beginning	53,031,516	23,909,268	20,839,943
Fund Balance - Ending	$ 55,580,877	$ 60,610,026	$ 20,911,496

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 137,772,236
7,336,102	15,507,858
3,651,771	23,886,195
14,128,001	29,898,013
25,115,874	207,064,302
3,192,071	122,002,974
700,612	7,596,613
-	1,138,823
678,615	12,937,510
-	1,918,758
6,644,448	6,644,448
331,457	7,214,577
-	2,596,072
377,775	6,069,591
92,929	13,344,998
-	1,247,167
-	40
-	4,066,398
12,660	12,660
1,166,907	17,685,236
5,326,149	6,411,376
3,027,452	3,036,629
21,551,075	213,923,870
3,564,799	(6,859,568)
54,449	1,107,151
575,984	50,357,844
(52,263)	(1,140,786)
578,170	50,324,209
4,142,969	43,464,641
12,962,617	110,743,344
$ 17,105,586	$ 154,207,985

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

Total Net Change in Fund Balances - Governmental Funds		**$ 43,464,641**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Capital outlays	$ 18,778,589	
Depreciation expense	(8,203,966)	
Net Expense Adjustment		10,574,623
In governmental funds, the entire proceeds from the disposal of capital assets are reported as revenue, however, in the statement of activities, only the gain or loss from disposals are reported.		(28,597)
Some of the capital assets acquired this year were financed through a capital lease. The amount financed by the lease is reported in the governmental funds as a source of financing. On the other hand, the capital lease is not revenue in the Statement of Activities, but rather constitutes a long-term obligation in the Statement of Net Position.		(3,094,860)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $6,720.		(6,720)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(5,918,336)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(1,285,187)
Proceeds received from the sale of bonds are revenues in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(46,900,000)

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

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

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		$ 4,920,000
Certificates of participation		385,149
Capital leases		1,085,227
Children's facility loan		21,000
Governmental funds report the effect of premiums, discounts, and deferred amounts on refunding when the debt is first issued, however, the amounts are deferred and amortized on the Statement of Activities.		
Premium on current issuances	$ (1,435,692)	
Amortization of debt premium	227,362	
Amortization of deferred amount on refunding	(33,134)	
Combined adjustment		(1,241,464)
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 accrued interst on the District's debt obligations.		97,078
An internal service fund is used by the District's management to charge the costs of certain health and welfare insurance programs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		(11,696)
Change in Net Position of Governmental Activities		**$ 2,060,858**

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

TURLOCK UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Enterprise Fund Cafeteria	Internal Service Fund Self-Insurance
ASSETS		
Current Assets		
Deposits and investments	$ 1,074	$ 707,357
Receivables	5,586	-
Due from other funds	8,963	-
Stores inventories	3,726	-
Total Current Assets	19,349	707,357
Noncurrent Assets		
Furniture and equipment (net)	80,494	-
Total Assets	99,843	707,357
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	7,133	-
LIABILITIES		
Current Liabilities		
Accounts payable	528	-
Due to other funds	3,716	-
Total Current Liabilities	4,244	-
Noncurrent Liabilities		
Net pension liability	19,791	-
Total Liabilities	24,035	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	75	-
NET POSITION		
Net investment in capital assets	80,494	-
Restricted	2,372	707,357
Unrestricted	-	-
Total Net Position	$ 82,866	$ 707,357

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

TURLOCK UNIFIED SCHOOL DISTRICT

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

	Enterprise Fund	Internal Service Fund
	Cafeteria	Self-Insurance
OPERATING REVENUES		
Charges for services	$ 74,361	$ -
OPERATING EXPENSES		
Payroll costs	16,784	-
Supplies and materials	67,050	6,640
Facility rental	-	-
Other operating cost	8,993	26,162
Depreciation	8,695	-
Total Operating Expenses	101,522	32,802
Operating Loss	(27,161)	(32,802)
NONOPERATING REVENUES		
Interest income	(522)	21,106
Transfers in	33,635	-
Grants	640	-
Total Nonoperating Revenues and Uses	33,753	21,106
Change in Net Position	6,592	(11,696)
Total Net Position - Beginning	76,274	719,053
Total Net Position - Ending	$ 82,866	$ 707,357

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

TURLOCK UNIFIED SCHOOL DISTRICT

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

	Enterprise Fund Cafeteria	Internal Service Fund Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for goods and services	$ 59,812	$ -
Cash paid for goods and services	(79,383)	(36,026)
Cash paid for salaries and benefits	(14,940)	-
Net Cash Used for Operating Activities	(34,511)	(36,026)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating transfers	33,635	21,106
Grants	640	-
Net Cash Provided for Noncapital Financing Activities	34,275	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	(522)	21,106
Net Decrease in Cash and Cash Equivalents	(758)	(14,920)
Cash and Cash Equivalents - Beginning	1,832	722,277
Cash and Cash Equivalents - Ending	$ 1,074	$ 707,357
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR FOR OPERATING ACTIVITIES		
Operating loss	$ (27,161)	$ (32,802)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	8,695	-
Changes in assets and liabilities:		
Receivables	(5,586)	-
Due from other funds	(8,963)	-
Stores inventory	(1,656)	-
Deferred outflows of resources	(309)	-
Accounts payable	(468)	(3,224)
Due to other funds	(1,216)	-
Net pension liability	2,445	-
Deferred inflows of resources	(292)	-
NET CASH USED FOR FOR OPERATING ACTIVITIES	$ (34,511)	$ (36,026)

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

TURLOCK UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits	$ 940,477
LIABILITIES	
Due to student groups	$ 940,477

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Turlock Unified School District (the District) was unified on July 1, 2004, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates seven K-6 elementary schools, two elementary magnet schools, one middle school, one junior high school, two comprehensive high schools, and a continuation high school, as well as preschool, Head Start, and adult education programs.

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

Component Units

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

The Turlock Public Schools Financing Agency was formed in 1991 by a joint powers agreement between the then separate school districts, Turlock Joint Elementary School District and Turlock Joint Union High School District, pursuant to the Mello-Roos Community Facilities Act of 1982. In 2004 when the two districts were unified, the Turlock Unified School District succeeded to the rights and obligations of under the agreement. The agency established Community Facilities District No. 1991-1 for the purpose of administering and collecting special taxes for its member districts.

The Turlock Schools Financing Corporation, a nonprofit public benefits corporation, was formed for the sole purpose of providing financial assistance to the district by financing various capital outlay projects.

The District has an approved Charter for eCademy Charter School pursuant to *Education Code* Section 47605. The non-classroom based Charter School is operated by the District, and its financial activities are presented in the District's financial statements within the General Fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of $10,968,065.

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.

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

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 for 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).

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

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

Mello Roos Fund The Mello Roos Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Cafeteria Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the vending operations of the District.

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insuance fund that is accounted for in an internal service fund which is used to pay claims or losses not covered by property and liability insurance such as those under deductible amounts.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

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

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

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county pool is determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

Capital Assets and Depreciation

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

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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 governmental funds.

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

Debt Premiums

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

In governmental fund financial statements, debt premiums are recognized in the current period and reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, 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 total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, where applicable, and OPEB expense, information about additions to/deductions from the Districts plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Fund Balances - Governmental Funds

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

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief financial officer 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 District has adopted a minimum fund balance policy 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 5.0 percent of General Fund expenditures and other financing uses. Should the reserve fall below 5.0 percent, it shall be recovered at a rate of at least 1.0 percent annually.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$24,424,477 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 vending sales reported in the Cafeteria Enterprise Fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds 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 in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	$ 156,763,454
Internal service fund	707,357
Subtotal, Governmental Activities	157,470,811
Enterprise fund	1,074
Fiduciary fund	940,477
Total Deposits and Investments	$ 158,412,362

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

Cash on hand and in banks	$ 956,009
Cash in revolving	20,675
Investments	157,435,678
Total Deposits and Investments	$ 158,412,362

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and 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.

Segmented Time Distribution

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

Investment Type	Fair Value	13 - 24 Months
County Pool	$ 157,435,684	$ 157,435,684

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, $450,973 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if 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 Stanislaus County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 4 - RECEIVABLES

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 2,946,139	$ 738,966	$ 3,685,105
State Government			
State grants and other entitlements	1,527,446	531,806	2,059,252
Local sources	720,099	235,241	955,340
Total	$ 5,193,684	$ 1,506,013	$ 6,699,697

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 10,579,707	$ 1,006,063	$ 3,098	$ 11,582,672
Construction in progress	5,927,958	12,001,423	2,606,377	15,323,004
Total Capital Assets Not Being Depreciated	16,507,665	13,007,486	2,609,475	26,905,676
Capital Assets being depreciated				
Land improvements	31,019,168	1,365,964	-	32,385,132
Buildings and improvements	229,077,308	5,674,722	5,714	234,746,316
Furniture and equipment	18,604,659	1,339,892	313,531	19,631,020
Total Capital Assets Being Depreciated	278,701,135	8,380,578	319,245	286,762,468
Less Accumulated Depreciation				
Land improvements	20,911,144	1,084,090	-	21,995,234
Buildings and improvements	93,147,918	6,135,807	4,780	99,278,945
Furniture and equipment	12,788,019	984,069	285,868	13,486,220
Total Accumulated Depreciation	126,847,081	8,203,966	290,648	134,760,399
Governmental Activities Capital Assets, Net	$168,361,719	$13,184,098	$ 2,638,072	$178,907,745
Business-Type Activities				
Furniture and equipment	$ 183,492	$ -	$ -	$ 183,492
Less Accumulated Depreciation	94,303	8,695	-	102,998
Business-Type Activities Capital Assets, Net	$ 89,189	$ (8,695)	$ -	$ 80,494

Depreciation expense was charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities	
Instruction	$ 5,332,578
Supervision of instruction	20,510
Instructional library, media, and technology	205,099
School site administration	225,609
Home-to-school transportation	656,317
Food services	574,278
Other pupil services	164,079
All other general administration	246,119
Data processing	41,020
Plant services	738,357
Total Depreciation Expenses, Governmental Activities	$ 8,203,966
Business-Type Activities	
Enterprise activities	$ 8,695

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ 309,708	$ 9
Building	47,600	-
Special Reserve Capital Outlay	-	14,239
Total Major Governmental Funds	357,308	14,248
Non-Major Governmental Funds		
Adult Education	-	46,547
Child Development	-	335
Cafeteria	9	253,834
Capital Facilities	-	47,600
Total Non-Major Governmental Funds	9	348,316
Cafeteria Enterprise	8,963	3,716
Total All Governmental Funds	$ 366,280	$ 366,280

The General Fund owes the Cafeteria Non-Major Governmental Fund for revolving cash bank charges.	$ 9
The Special Reserve Capital Outlay Fund owes the General Fund for architectural fees for the Special Education facility.	13,800
The Special Reserve Capital Outlay Fund owes the General Fund for prior capital outlay expenditures.	439
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	46,547
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.	335
The Cafeteria Non-Major Governmental Fund owes the Cafeteria Enterprise Fund for vending costs.	8,963
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	244,845
The Cafeteria Non-Major Governmental Fund owes the General Fund for April through June fuel costs.	26
The Cafeteria Enterprise Fund owes the General Fund for indirect costs.	3,716
The Capital Facilities Non-Major Governmental Fund owes the Building Fund for Architect services.	47,600
Total	$ 366,280

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2019, consisted of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for District renovation.	$ 1,000,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for current year unpaid student lunches.	54,449
The General Fund transferred to the Cafeteria Enterprise Fund for deficit balance.	33,635
The Special Reserve Capital Outlay Fund transferred to the General Fund for prior year capital outlay expenditures.	439
The Capital Facilities Non-Major Governmental Fund transferred to the General Fund for three percent developer fee administration costs.	30,752
The Capital Facilities Non-Major Governmental Fund transferred to the Building Fund for prior year capital outlay expenditures.	21,511
Total	$ 1,140,786

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

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

	General Fund	Building Fund	Total Governmental Activities
Service contracts	$ 33,818	$ -	$ 33,818
Dues and conferences	136,369	-	136,369
Lease payments	377,240	805,146	1,182,386
Total	$ 547,427	$ 805,146	$ 1,352,573

NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds	Cafeteria Enterprise Fund
Vendor payables	$ 1,324,268	$ 1,238,734	$ 395,195	$ 363,660	$ 3,321,857	$ 31
Salaries and benefits	6,168,119	-	-	315,443	6,483,562	497
LCFF apportionment	1,264,738	-	-	-	1,264,738	-
Total	$ 8,757,125	$ 1,238,734	$ 395,195	$ 679,103	$ 11,070,157	$ 528

NOTE 9 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 68,644	$ 170,374	$ 239,018

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 58,465,000	$ 46,900,000	$ 4,920,000	$ 100,445,000	$ 5,565,000
Bond premiums	3,312,127	1,435,692	227,362	4,520,457	-
Capital leases	-	3,094,860	1,085,227	2,009,633	979,231
Certificates of participation	5,970,369	-	385,149	5,585,220	397,444
Children's facility loan	42,000	-	21,000	21,000	21,000
Compensated absences - net	232,603	6,720	-	239,323	-
Other postemployment benefits	13,764,742	2,170,098	167,792	15,767,048	-
Total	$ 81,786,841	$ 53,607,370	$ 6,806,530	$ 128,587,681	$ 6,962,675

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local property taxes. The Certificates of Participation are paid from the Capital Facilities Fund. The capital lease payments are paid from the General Fund and the Children's Facility Loan is paid from the Child Development Fund. All other payments are primarily made from the General Fund.

Bonded Debt

2013 General Obligation Refunding Bonds

On April 30, 2014, the District issued $8,475,000 in general obligation refunding bonds. The bonds were issued to refund the remaining 2002 Series 2004 General Obligation Bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds with interest rates ranging from 2.00 percent to 3.125 percent and are scheduled to mature through June 1, 2029.

2015 General Obligation Refunding Bonds

In July 2015, the District issued $21,885,000 in general obligation refunding bonds. The bonds were issued to refund the remaining Measure Y, Series 2007 General Obligation Bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds with interest rates ranging from 2.00 percent to 5.00 percent and are scheduled to mature through August 1, 2032.

2015 General Obligation Refunding Bonds (School Facilities Improvement District No. 1)

In July 2015, the School Facilities Improvement District No. 1 of the Turlock Unified School District issued $7,915,000 in general obligation refunding bonds. The bonds were issued to refund the remaining Measure Z, Series 2007 General Obligation Bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds with interest rates ranging from 2.00 percent to 5.00 percent and are scheduled to mature through June 1, 2032.

Election of 2016, Series 2017 General Obligation Bonds

In April 2017, the District issued $14,700,000 in general obligation bonds under Measure O. The bonds were issued to upgrade and repair high schools within the District. The Series 2017 General Obligation Bonds were issued as current interest bonds with interest rates ranging from 3.125 percent to 5.00 percent and are scheduled to mature through August 1, 2046.

Election of 2016, Series 2017 General Obligation Bonds (School Facilities Improvement District No. 1)

In April 2017, the School Facilities Improvement District No. 1 of the Turlock Unified School District issued $12,500,000 in general obligation bonds under Measure N. The bonds were issued to upgrade and repair elementary schools within the District. The Series 2017 General Obligation Bonds were issued as current interest bonds with interest rates ranging from 3.125 percent to 5.00 percent and are scheduled to mature through August 1, 2046.

Election of 2016, Series 2019 General Obligation Bonds

In May 2019, the District issued $33,300,000 in general obligation bonds under Measure O. The bonds were issued to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 8, 2016 and to pay certain costs of issuance of the bonds. The Series 2019 General Obligation Bonds were issued as current interest bonds with interest rates ranging from 3.00 percent to 5.00 percent and are scheduled to mature through August 1, 2046.

Election of 2016, Series 2019 General Obligation Bonds (School Facilities Improvement District No. 1)

In May 2019, the School Facilities Improvement District No. 1 of the Turlock Unified School District issued $13,600,000 in general obligation bonds under Measure N. The bonds were issued to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 8, 2016 and to pay certain costs of issuance of the bonds. The Series 2019 General Obligation Bonds were issued as current interest bonds with interest rates ranging from 3.00 percent to 5.00 percent and are scheduled to mature through August 1, 2047.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2018	Redeemed	Bonds Outstanding June 30, 2019
2013	6/1/29	2.0-3.125	$ 8,475,000	$ 6,170,000	$ 495,000	$ 5,675,000
2015	8/1/32	2.0-5.0	21,885,000	18,185,000	1,800,000	16,385,000
2015	6/1/32	2.0-5.0	7,915,000	6,910,000	345,000	6,565,000
2017	8/1/46	3.125-5.0	14,700,000	14,700,000	1,260,000	13,440,000
2017	8/1/46	3.125-5.0	12,500,000	12,500,000	1,020,000	11,480,000
2019	8/1/46	3.125-5.0	33,300,000	33,300,000	-	33,300,000
2019	8/1/47	3.125-5.0	13,600,000	13,600,000	-	13,600,000
	Total			$ 105,365,000	$ 4,920,000	$ 100,445,000

Debt Service Requirements to Maturity

The bonds mature as follows:

2013 General Obligation Refunding Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 500,000	$ 166,056	$ 666,056
2021	515,000	156,056	671,056
2022	525,000	140,606	665,606
2023	540,000	124,856	664,856
2024	560,000	108,656	668,656
2025-2029	3,035,000	282,730	3,317,730
Total	$ 5,675,000	$ 978,960	$ 6,653,960

2015 General Obligation Refunding Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 1,895,000	$ 722,394	$ 2,617,394
2021	2,000,000	625,019	2,625,019
2022	2,100,000	522,519	2,622,519
2023	2,220,000	414,519	2,634,519
2024	2,330,000	300,769	2,630,769
2025-2029	3,975,000	561,468	4,536,468
2030-2033	1,865,000	125,447	1,990,447
Total	$ 16,385,000	$ 3,272,135	$ 19,657,135

2015 General Obligation Refunding Bonds (SFID)

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 370,000	$ 264,014	$ 634,014
2021	390,000	245,514	635,514
2022	410,000	226,014	636,014
2023	430,000	205,512	635,512
2024	455,000	184,012	639,012
2025-2029	2,655,000	585,060	3,240,060
2030-2032	1,855,000	124,620	1,979,620
Total	$ 6,565,000	$ 1,834,746	$ 8,399,746

Election of 2016, Series 2017 General Obligation Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 1,500,000	$ 473,156	$ 1,973,156
2021	-	435,656	435,656
2022	-	435,656	435,656
2023	-	435,656	435,656
2024	-	435,656	435,656
2025-2029	-	2,178,280	2,178,280
2030-2034	925,000	2,150,755	3,075,755
2035-2039	3,055,000	1,800,207	4,855,207
2040-2044	4,430,000	1,147,225	5,577,225
2045-2047	3,530,000	218,400	3,748,400
Total	$ 13,440,000	$ 9,710,647	$ 23,150,647

Election of 2016, Series 2017 General Obligation Bonds (SFID)

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 1,300,000	$ 402,650	$ 1,702,650
2021	-	370,150	370,150
2022	-	370,150	370,150
2023	-	370,150	370,150
2024	-	370,150	370,150
2025-2029	-	1,850,750	1,850,750
2030-2034	425,000	1,844,109	2,269,109
2035-2039	2,720,000	1,573,484	4,293,484
2040-2044	3,925,000	1,005,288	4,930,288
2045-2047	3,110,000	192,400	3,302,400
Total	$ 11,480,000	$ 8,349,281	$ 19,829,281

Election of 2016, Series 2019 General Obligation Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ -	$ 797,379	$ 797,379
2021	1,100,000	1,125,338	2,225,338
2022	335,000	1,089,463	1,424,463
2023	405,000	1,070,963	1,475,963
2024	480,000	1,048,838	1,528,838
2025-2029	3,700,000	4,773,615	8,473,615
2030-2034	5,375,000	3,776,840	9,151,840
2035-2039	6,330,000	2,879,740	9,209,740
2040-2044	8,825,000	1,750,015	10,575,015
2045-2047	6,750,000	324,520	7,074,520
Total	$ 33,300,000	$ 18,636,711	$ 51,936,711

Election of 2016, Series 2019 General Obligation Bonds (SFID)

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ -	$ 318,923	$ 318,923
2021	750,000	442,344	1,192,344
2022	880,000	401,594	1,281,594
2023	-	379,594	379,594
2024	-	379,594	379,594
2025-2029	-	1,897,970	1,897,970
2030-2034	480,000	1,888,370	2,368,370
2035-2039	2,825,000	1,553,420	4,378,420
2040-2044	3,850,000	1,052,170	4,902,170
2045-2048	4,815,000	341,048	5,156,048
Total	$ 13,600,000	$ 8,655,027	$ 22,255,027

Capital Leases

The District has entered into two agreements to lease computer equipment. These agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on the lease agreements are summarized below:

	Total
Balance, July 1, 2018	$ -
Additions	3,094,860
Payments	1,085,227
Balance, June 30, 2019	$ 2,009,633

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,094,404
2021	1,094,404
Total	2,188,808
Less: Amount Representing Interest	179,175
Present Value of Minimum Lease Payments	$ 2,009,633

Certificates of Participation

On June 25, 2015, the District issued 2015 Refunding Certificates of Participation in the aggregate amount of $7,111,787 to refund the District's 2005 Certificates of Participation. The Certificates were issued and an interest rate of 3.00 percent and are scheduled to mature through August 1, 2030.

The certificates mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 397,444	$ 161,595	$ 559,039
2021	409,552	149,490	559,042
2022	421,024	137,031	558,055
2023	431,990	124,236	556,226
2024	447,134	111,049	558,183
2025-2029	2,429,557	343,832	2,773,389
2030-2031	1,048,519	31,346	1,079,865
Total	$ 5,585,220	$ 1,058,579	$ 6,643,799

Children's Facility Loan

The District has entered into a loan agreement with the California Department of Education for the Crowell State Preschool Facility. The District was granted $210,000 to complete the Crowell project. The grant agreement states that the loan amount (no interest charged) is to be paid back within ten years of the agreement. The facilities are registered in the name of the State of California until the loans are repaid in full at which time the title will transfer to the Turlock Unified School District. As of June 30, 2019, the outstanding amount of the loan was $21,000.

Fiscal Year	Payment
2020	$ 21,000

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $239,323.

Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 15,767,048	$ 717,119	$ 1,285,187

The details of the plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	127
Active employees	1,442
Total	1,569

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Turlock Teachers Association (TTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $167,792 in benefits.

Total OPEB Liability of the District

Actuarial Assumptions

The total OPEB liability in the June 30, 2018, 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
Investment rate of return	3.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.0 percent for 2019 and thereafter

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

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 13,764,742
Service cost	904,403
Interest	494,657
Changes of assumptions	771,038
Benefit payments	(167,792)
Net change in total OPEB liability	2,002,306
Balance at June 30, 2019	$ 15,767,048

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

Changes of Assumptions - The discount rate assumption was changed from 3.8 percent to 3.5 percent since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 18,745,109
Current discount rate (3.5%)	15,767,048
1% increase (4.5%)	13,457,027

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 13,393,437
Current healthcare cost trend rate (4.0%)	15,767,048
1% increase (5.0%)	18,629,920

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $1,285,187. At June 30, 2019, the District reported deferred outflows of resources in the amount of $717,119 related to OPEB from a change of assumptions. These deferred outflows of resources will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 53,919
2021	53,919
2022	53,919
2023	53,919
2024	53,919
Thereafter	447,524
Total	$ 717,119

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,075	$ -	$ -	$ -	$ 20,075
Stores inventories	484,831	-	-	221,852	706,683
Prepaid expenditures	547,427	805,146	-	-	1,352,573
Total Nonspendable	1,052,333	805,146	-	221,852	2,079,331
Restricted					
Legally restricted programs	7,460,777	59,804,880	-	-	67,265,657
Adult education program	-	-	-	170,888	170,888
Child development	-	-	-	107,429	107,429
Food service	-	-	-	1,503,063	1,503,063
Capital projects	-	-	-	7,060,164	7,060,164
Debt service	-	-	-	7,900,304	7,900,304
Total Restricted	7,460,777	59,804,880	-	16,741,848	84,007,505
Committed					
Pupil transportation	90,392	-	-	-	90,392
Postemployment benefit costs	10,877,672	-	-	-	10,877,672
Adult education program	-	-	-	141,886	141,886
Total Committed	10,968,064	-	-	141,886	11,109,950
Assigned					
CalSTRS/CalPERS rate increases	1,500,000	-	-	-	1,500,000
Major repair projects	1,814,861	-	-	-	1,814,861
Medi-Cal administrative activities	1,546,849	-	-	-	1,546,849
Curriculum	52,211	-	-	-	52,211
Site mandated costs	59,215	-	-	-	59,215
Technology replacement	326,000	-	-	-	326,000
District farm carryover	160,178	-	-	-	160,178
Technology plan	1,910,977	-	-	-	1,910,977
STEM carrover	28,051	-	-	-	28,051
Site carryovers	456,770	-	-	-	456,770
OPS	56,607	-	-	-	56,607
Professional development	307,670	-	-	-	307,670
Emergency contract	150,000	-	-	-	150,000
Textbook adoptions	8,987,508	-	-	-	8,987,508
Capital projects	-	-	20,911,496	-	20,911,496
Total Assigned	17,356,897	-	20,911,496	-	38,268,393
Unassigned					
Reserve for economic uncertainties	9,004,794	-	-	-	9,004,794
Remaining unassigned	9,738,012	-	-	-	9,738,012
Total Unassigned	18,742,806	-	-	-	18,742,806
Total	$ 55,580,877	$ 60,610,026	$ 20,911,496	$ 17,105,586	$154,207,985

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Northern California Schools Insurance Group (NCSIG) for property and liability insurance coverage. NCSIG and its members belong to the Northern California Regional Excess Liability Fund and the Schools Excess Liability Fund for stop-loss property and liability coverage. The relationship between the District and NCSIG is such that it is not a component unit of the District for financial reporting purposes.

Workers' Compensation

The District is a member of the Central Region Schools' Insurance Group (CRSIG) public entity risk pool. The intent of the CRSIG pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CRSIG pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CRSIG pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the CRSIG pool. The relationship between the District and CRSIG is such that it is not a component unit of the District for financial reporting purposes.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 118,064,587	$ 32,408,594	$ 9,210,600	$ 13,451,042
CalPERS	49,477,549	14,266,148	149,022	9,863,638
Total	$ 167,542,136	$ 46,674,742	$ 9,359,622	$ 23,314,680

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $12,440,831.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 118,064,587
State's proportionate share of the net pension liability associated with the District	67,597,498
Total	$ 185,662,085

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1285 percent and 0.1266 percent, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2019, the District recognized pension expense of $13,451,042. In addition, the District recognized pension expense and revenue of $7,941,182 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,440,831	$ -
Net change in proportionate share of net pension liability	1,259,997	2,949,415
Difference between projected and actual earnings on pension plan investments	-	4,546,232
Differences between expected and actual experience in the measurement of the total pension liability	366,114	1,714,953
Changes of assumptions	18,341,652	-
Total	$ 32,408,594	$ 9,210,600

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

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

Year Ended June 30,	Deferred Inflows of Resources
2020	$ 987,116
2021	(716,277)
2022	(3,814,113)
2023	(1,002,958)
Total	$ (4,546,232)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,689,429
2021	2,689,429
2022	2,689,430
2023	3,281,583
2024	3,760,870
Thereafter	192,654
Total	$ 15,303,395

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 172,950,804
Current discount rate (7.10%)	118,064,587
1% increase (8.10%)	72,558,587

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $4,953,669.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $49,477,549. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1856 percent and 0.1817 percent, resulting in a net increase in the proportionate share of 0.0039 percent.

For the year ended June 30, 2019, the District recognized pension expense of $9,863,638. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,953,669	
Net change in proportionate share of net pension liability	722,969	149,022
Difference between projected and actual earnings on pension plan investments	405,828	-
Differences between expected and actual experience in the measurement of the total pension liability	3,243,567	-
Changes of assumptions	4,940,115	-
Total	$ 14,266,148	$ 149,022

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

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

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 1,476,083
2021	352,992
2022	(1,131,210)
2023	(292,037)
Total	$ 405,828

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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,920,219
2021	3,583,255
2022	1,254,155
Total	$ 8,757,629

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 72,036,945
Current discount rate (7.15%)	49,477,549
1% increase (8.15%)	30,761,300

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use social security.

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 $6,238,838 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule.*

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

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

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

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

Capital Projects	Site/Location	Remaining Construction Commitment	Expected Date of Completion
Brown fencing II & modernization - Measure N	Brown Elementary	$ 795,000	November 2019
DMS modernization-Measure N	Dutcher Middle School	4,440,000	December 2019
Cunningham fencing-Measure N	Cunningham Elementary	505,000	September 2019
Crowell security cameras-Measure N	Crowell Elementary	5,000	October 2019
TJHS security cameras-Measure N	Turlock Junior High School	100,000	October 2019
PHS fencing and office - Measure O	Pitman High School	920,000	September 2019
PHS playfields - Measure O	Pitman High School	80,000	September 2019
PHS fire alarm - Measure O	Pitman High School	130,000	September 2019
PHS culinary arts - Measure O	Pitman High School	1,335,000	January 2020
THS roof bldgs. B&L - Measure O & General Ed.	Turlock High School	1,225,000	September 2019
Canal Street Parking	Turlock High School	590,000	November 2019
Cooper Street Special Education Facility	District Office	995,000	October 2019
Total Estimated Construction Commitments		$ 11,120,000	

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Central Region Schools' Insurance Group (CRSIG) and the Northern California Schools Insurance Group (NCSIG) joint powers authorities (JPA's). The District pays an annual premium to the applicable JPA for its workers' compensation, and property liability coverage. The relationships between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

These JPAs 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 JPAs and the District are included in these statements. Audited financial statements are generally available from the respective entities.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 136,271,900	$ 139,492,040	$ 137,772,236	$ (1,719,804)
Federal sources	7,111,167	8,862,943	8,171,756	(691,187)
Other State sources	9,581,129	12,797,822	20,234,424	7,436,602
Other local sources	12,011,389	12,457,804	14,180,884	1,723,080
Total Revenues [1]	164,975,585	173,610,609	180,359,300	6,748,691
EXPENDITURES				
Current				
Certificated salaries	71,173,788	76,023,543	75,209,209	814,334
Classified salaries	26,898,829	27,733,256	28,567,886	(834,630)
Employee benefits	36,273,046	38,485,218	44,176,084	(5,690,866)
Books and supplies	9,505,069	9,994,671	7,106,431	2,888,240
Services and operating expenditures	11,425,182	15,747,806	15,215,792	532,014
Other outgo	4,338,126	4,365,302	3,729,071	636,231
Capital outlay	2,627,239	8,580,919	4,749,029	3,831,890
Debt service - principal	-	-	1,085,227	(1,085,227)
Total Expenditures [1]	162,241,279	180,930,715	179,847,906	1,082,809
Excess (Deficiency) of Revenues Over Expenditures	2,734,306	(7,320,106)	511,394	7,831,500
Other Financing Sources (Uses)				
Transfers in	28,000	31,000	31,191	191
Other sources	-	-	3,094,860	3,094,860
Transfers out	(2,200,000)	(2,200,000)	(1,088,084)	1,111,916
Net Financing Sources (Uses)	(2,172,000)	(2,169,000)	2,037,967	4,206,967
NET CHANGE IN FUND BALANCES	562,306	(9,489,106)	2,549,361	12,038,467
Fund Balance - Beginning	53,031,516	53,031,516	53,031,516	-
Fund Balance - Ending	$ 53,593,822	$ 43,542,410	$ 55,580,877	$ 12,038,467

[1] Due to the consolidation of Fund 15, Pupil Transportation Equipment Fund, and 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 revenues and expenditures, however, are not included in the original and final General Fund budgets. Additionally, on behalf payments of $5,984,304 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

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

	2019	2018
Total OPEB Liability		
Service cost	$ 904,403	$ 880,198
Interest	494,657	490,310
Changes of assumptions	771,038	-
Benefit payments	(167,792)	(161,337)
Net change in total OPEB liability	2,002,306	1,209,171
Total OPEB liability - beginning	13,764,742	12,555,571
Total OPEB liability - ending	$ 15,767,048	$ 13,764,742
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

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

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

See accompanying note to required supplementary information.

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TURLOCK UNIFIED SCHOOL DISTRICT

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

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1285%	0.1266%
District's proportionate share of the net pension liability	$ 118,064,587	$ 117,081,605
State's proportionate share of the net pension liability associated with the District	67,597,498	69,264,488
Total	$ 185,662,085	$ 186,346,093
District's covered payroll	$ 69,250,901	$ 67,388,601
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.49%	173.74%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1856%	0.1817%
District's proportionate share of the net pension liability	$ 49,477,549	$ 43,364,927
District's covered payroll	$ 24,732,419	$ 23,103,874
District's proportionate share of the net pension liability as a percentage of its covered payroll	200.05%	187.70%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.1282%	0.1306%	0.1340%
$ 103,681,340	$ 87,945,115	$ 78,305,580
59,023,938	46,506,979	47,284,765
$ 162,705,278	$ 134,452,094	$ 125,590,345
$ 61,900,890	$ 59,911,984	$ 57,827,047
167.50%	146.79%	135.41%
70%	74%	77%
0.1835%	0.1789%	0.1770%
$ 36,237,590	$ 26,353,721	$ 20,093,810
$ 19,989,041	$ 17,997,524	$ 16,645,910
181.29%	146.43%	120.71%
74%	79%	83%

TURLOCK UNIFIED SCHOOL DISTRICT

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

	2019	2018
CalSTRS		
Contractually required contribution	$ 12,440,831	$ 9,992,905
Contributions in relation to the contractually required contribution	12,440,831	9,992,905
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 76,417,881	$ 69,250,901
Contributions as a percentage of covered payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 4,953,669	$ 3,841,192
Contributions in relation to the contractually required contribution	4,953,669	3,841,192
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 27,425,916	$ 24,732,419
Contributions as a percentage of covered payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 8,477,486	$ 5,496,799	$ 4,942,744
8,477,486	5,496,799	4,942,744
$ -	$ -	$ -
$ 67,388,601	$ 61,900,890	$ 59,911,984
12.58%	8.880%	8.25%
$ 3,208,666	$ 2,352,910	$ 2,059,277
3,208,666	2,352,910	2,059,277
$ -	$ -	$ -
$ 23,103,874	$ 19,989,041	$ 17,997,524
13.888%	11.771%	11.442%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

Changes of Assumptions - The discount rate assumption was changed from 3.8 percent to 3.5 percent since the previous valuation.

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

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

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

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

Schedule of District Contributions

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

Supplementary Information

TURLOCK UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I - Part A, Basic	84.010	14329	$ 4,346,370
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	1,971
Title II - Supporting Effective Instruction	84.367	14341	433,420
Title III - English Language Acquisition - LEP	84.365	14346	355,511
Title IV - Part A, Student Support And Academic Enrichment Grants (SSAE)	84.424	15396	123,456
Adult Basic Education and ESL	84.002A	14508	82,419
Adult Secondary Education	84.002	13978	109,370
Career and Technical Education, Secondary 131	84.048	14894	107,565
Special Education Cluster: Special Education, Basic	84.027	13379	2,360,494
Total U.S. Department of Education			7,920,576
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Cluster:			
Medi-Cal Administrative Activities	93.778	10060	258,877
Medi-Cal Billing Option	93.778	10013	142,951
Subtotal Medicaid Cluster			401,828
Head Start	93.600	10016	1,902,834
Total Department of Health and Human Services			2,304,662
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	3,553,998
Especially Needy Breakfast	10.553	13526	963,941
Meals Supplements - Snack	10.555	13391	94,182
Basic Breakfast	10.553	13525	6,206
Summer School	10.559	13004	98,274
Food Distribution - Commodities	10.555	13391	524,155
Subtotal Child Nutrition Cluster			5,240,756
Total U.S. Department of Agriculture			5,240,756
Total Expenditures of Federal Awards			$ 15,465,994

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Turlock Unified School District was unified on July 1, 2004, and consists of an area comprising approximately 100 square miles. The Turlock Unified School District was created on July 1, 2004, with the unification of the Turlock Joint Elementary School District and the Turlock Joint Union High School District. The District provides educational services to PreK-12 students within the boundaries of the original elementary district and to students in grades 9 through 12 from the Chatom Union and Keyes Union School Districts, which were not part of the unification process.

The District operates seven K-6 elementary schools, two elementary magnet schools, one middle school, one junior high school, two comprehensive high schools, and a continuation high school, as well as preschool, Head Start, and adult education programs.

The District, also, has a dependent charter school which provides educational services through multiple learning experiences to K-12 students. For reporting purposes, the charter school's budget is included in District's budget.

There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Lori Carlson	President	2022
Frank M. Lima	Clerk	2020
Ken Malech	Member	2020
Anthony Silva	Member	2020
Jeffrey Cortinas	Member	2022
Mary Jackson	Member	2022
Miranda Chalabi	Member	2020

ADMINISTRATION

Dana Salles Trevethan	Superintendent
Mike Trainor	Assistant Superintendent/Business Services
Heidi Lawler	Assistant Superintendent/Educational Services
David Lattig	Assistant Superintendent/Human Resources
Marjorie Bettencourt	Interim Assistant Superintendent/Finance & Accountability

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

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

	Second Period Report	Annual Report
TURLOCK UNIFIED SCHOOL DISTRICT		
Regular ADA		
Transitional kindergarten through third	3,865.61	3,869.42
Fourth through sixth	2,910.09	2,911.44
Seventh and eighth	2,038.75	2,033.67
Ninth through twelfth	4,519.10	4,495.18
Total Regular ADA	13,333.55	13,309.71
Extended Year Special Education		
Transitional kindergarten through third	9.05	9.05
Fourth through sixth	5.55	5.55
Seventh and eighth	2.26	2.26
Ninth through twelfth	6.00	6.00
Total Extended Year Special Education	22.86	22.86
Total ADA	13,356.41	13,332.57
CHARTER SCHOOL - eCademy Charter at Crane		
Regular ADA - all non-classroom based		
Transitional kindergarten through third	6.00	6.00
Fourth through sixth	8.92	8.93
Seventh and eighth	34.54	35.76
Ninth through twelfth	70.75	72.33
Total ADA	120.21	123.02

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

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

	1986-1987	2018-2019	Number of Days		
	Minutes	Actual	Traditional	Multitrack	
Grade Level	Requirement	Minutes	Calendar	Calendar	Status
Kindergarten	36,000	36,720	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,170	180	N/A	Complied
Grade 2		55,170	180	N/A	Complied
Grade 3		55,170	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,170	180	N/A	Complied
Grade 5		55,170	180	N/A	Complied
Grade 6		55,170	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,564	180	N/A	Complied
Grade 8		60,564	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,272	180	N/A	Complied
Grade 10		65,272	180	N/A	Complied
Grade 11		65,272	180	N/A	Complied
Grade 12		65,272	180	N/A	Complied

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

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

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

	Cafeteria Enterprise Fund
FUND BALANCE	
Balance, June 30, 2019, Unaudited Actuals	$ 84,710
Increase in:	
Net pension liability	(2,445)
Deferred outflows	309
Decrease in:	
Deferred inflows	292
Balance, June 30, 2019, Audited Financial Statement	$ 82,866

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

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

	(Budget) 2020 [1,3]	2019 [3]	2018 [3]	2017 [3]
GENERAL FUND				
Revenues	$172,127,533	$180,064,691	$162,694,696	$155,907,500
Other sources and transfers in	28,000	31,191	12,800	25,576
Total Revenues	172,155,533	180,095,882	162,707,496	155,933,076
Expenditures	173,991,084	176,753,046	151,098,505	144,757,428
Other uses and transfers out	2,200,000	2,288,084	10,246,864	10,431,062
Total Expenditures and Other Uses	176,191,084	179,041,130	161,345,369	155,188,490
INCREASE/(DECREASE) IN FUND BALANCE	$ (4,035,551)	$ 1,054,752	$ 1,362,127	$ 744,586
ENDING FUND BALANCE	$ 40,577,260	$ 44,612,811	$ 43,558,059	$ 42,195,932
AVAILABLE RESERVES [2]	$ 17,303,182	$ 18,742,806	$ 18,337,378	$ 21,363,673
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	9.8%	10.5%	11.4%	13.8%
LONG-TERM OBLIGATIONS [4]	Not Available	$128,587,681	$ 81,786,841	$ 83,717,296
AVERAGE DAILY ATTENDANCE AT P-2	13,356	13,356	13,312	13,242

The General Fund balance has increased by $2,416,879 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $4,035,551 (9.0 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $44,870,385 over the past two years primarily due to the issuance of general obligation bonds.

Average daily attendance has increased by 114 over the past two years. No change in ADA is anticipated during fiscal year 2019-2020.

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

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

[3] General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Equipment Fund and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

[4] The balance of long-term obligations was adjusted for the fiscal year ended June 30, 2017, due to the implementation of GASB 75.

See accompanying note to supplementary information.

TURLOCK UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Included in Audit Report
eCademy Charter at Crane (Charter No. 1309)	Yes
Fusion Charter (Charter No. 1695)	No

See accompanying note to supplementary information.

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TURLOCK UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 463,370	$ 42,315	$ 1,146,848
Receivables	218,059	390,776	792,977
Due from other funds	-	-	9
Stores inventories	-	-	221,852
Total Assets	$ 681,429	$ 433,091	$ 2,161,686
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 322,108	$ 154,953	$ 182,937
Due to other funds	46,547	335	253,834
Unearned revenue	-	170,374	-
Total Liabilities	368,655	325,662	436,771
Fund Balances:			
Nonspendable	-	-	221,852
Restricted	170,888	107,429	1,503,063
Committed	141,886	-	-
Total Fund Balances	312,774	107,429	1,724,915
Total Liabilities and Fund Balances	$ 681,429	$ 433,091	$ 2,161,686

See accompanying note to supplementary information.

	Capital Facilities Fund	Mello Roos Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
	$ 6,485,953	$ 535,945	$ 7,901,074	$ 16,575,505
	104,201	-	-	1,506,013
	-	-	-	9
	-	-	-	221,852
	$ 6,590,154	$ 535,945	$ 7,901,074	$ 18,303,379
	$ 18,335	$ -	$ 770	$ 679,103
	47,600	-	-	348,316
	-	-	-	170,374
	65,935	-	770	1,197,793
	-	-	-	221,852
	6,524,219	535,945	7,900,304	16,741,848
	-	-	-	141,886
	6,524,219	535,945	7,900,304	17,105,586
	$ 6,590,154	$ 535,945	$ 7,901,074	$ 18,303,379

TURLOCK UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 191,788	$ 1,902,834	$ 5,240,756
Other State sources	1,819,380	1,309,031	447,622
Other local sources	59,844	2,493	1,526,418
Total Revenues	2,071,012	3,214,358	7,214,796
EXPENDITURES			
Current			
Instruction	725,744	2,466,327	-
Instruction-related activities:			
Supervision of instruction	525,234	175,378	-
School site administration	476,413	202,202	-
Pupil services:			
Food services	-	-	6,644,448
All other pupil services	144,652	186,805	-
Administration:			
All other administration	46,547	42,218	244,845
Plant services	35,115	56,790	-
Enterprise services	-	-	12,660
Facility acquisition and construction	-	7,216	14,997
Debt service			
Principal	-	21,000	-
Interest and other	-	-	-
Total Expenditures	1,953,705	3,157,936	6,916,950
Excess (Deficiency) of Revenues Over Expenditures	117,307	56,422	297,846
Other Financing Sources (Uses)			
Transfers in	-	-	54,449
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	54,449
NET CHANGE IN FUND BALANCES	117,307	56,422	352,295
Fund Balance - Beginning	195,467	51,007	1,372,620
Fund Balance - Ending	$ 312,774	$ 107,429	$ 1,724,915

See accompanying note to supplementary information.

Capital Facilities Fund	Mello Roos Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 724	$ 7,336,102
1,074	-	74,664	3,651,771
2,892,680	135,261	9,511,305	14,128,001
2,893,754	135,261	9,586,693	25,115,874
-	-	-	3,192,071
-	-	-	700,612
-	-	-	678,615
-	-	-	6,644,448
-	-	-	331,457
44,165	-	-	377,775
1,024	-	-	92,929
-	-	-	12,660
1,144,694	-	-	1,166,907
385,149	-	4,920,000	5,326,149
173,334	-	2,854,118	3,027,452
1,748,366	-	7,774,118	21,551,075
1,145,388	135,261	1,812,575	3,564,799
-	-	-	54,449
-	-	575,984	575,984
(52,263)	-	-	(52,263)
(52,263)	-	575,984	578,170
1,093,125	135,261	2,388,559	4,142,969
5,431,094	400,684	5,511,745	12,962,617
$ 6,524,219	$ 535,945	$ 7,900,304	$ 17,105,586

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 of an FHA tax apportionment that is reported in the financial statements and for the difference between revenues and expenditures reported for the District's ESEA: ESSA School Improvement (CSI) Funding for LEAs grant.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 15,507,858
Reconciling items:		
FHA In Lieu Tax Apportionment	Not Applicable	(724)
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	(41,140)
Total Schedule of Expenditures of Federal Awards		$ 15,465,994

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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

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
Turlock Unified School District
Turlock, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Turlock Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Turlock Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Turlock 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 Turlock Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Turlock 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 Turlock 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 Turlock Unified School District in a separate letter dated December 16, 2019.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Eide Bailly LLP

Fresno, California
December 16, 2019

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

Governing Board
Turlock Unified School District
Turlock, California

Report on Compliance for Each Major Federal Program

We have audited Turlock 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 Turlock Unified School District's major Federal programs for the year ended June 30, 2019. Turlock 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 Turlock 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 Turlock 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 Turlock Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Turlock 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, 2019.

Report on Internal Control Over Compliance

Management of Turlock 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 Turlock 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 Turlock 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.

Eide Bailly LLP

Fresno, California
December 16, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Turlock Unified School District
Turlock, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Turlock 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Turlock Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Turlock Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Turlock 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, 2019.

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

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

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

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

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

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

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

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

We did not perform procedures for the After/Before School Education and Safety Program because the District does not administer the 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.

We did not perform procedures for the Charter Schools Mode of Instruction or Annual Instruction Minutes Classroom-Based because the District's charter school is entirely non-classroom based.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Eide Bailly LLP

Fresno, California
December 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

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

None reported.

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

None reported.

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

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

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Management
Turlock Unified School District
Turlock, California

In planning and performing our audit of the financial statements of Turlock Unified School District (the District), we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 16, 2019, on the government-wide financial statements of the District.

JOHN PITMAN HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

During our follow-up on prior year observations of cash disbursement procedures over approvals, we found one of the ten expenditures tested for follow-up had the approval signature dated after the invoice/receipt date indicating the expenditure was not preapproved. Additionally, we found the site did not obtain the student representative's approval signature on four of the disbursement documents tested for follow-up.

Recommendation

The site should continue to work on improving its control over disbursements and take the necessary steps to ensure that expenditures are approved by site administration, a club advisor and a student representative prior to the item being purchased.

TURLOCK HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Sub-Receipts

Observation

During our audit of the cash receipts system, we discovered that teachers are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, how much is collected, and whom it was collected from. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the funds back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

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Recommendation

The site should maintain sub-receipt books in addition to the ASB's primary receipt book. These sub-receipt books will be given to teachers when they are conducting activities in which cash is collected. A system should be established to track the receipt number sequences of the sub-receipt books and to whom the books were given. For certain events, a class roster may be sufficient in place of using a sub-receipt book. Prenumbered receipts should be issued, or a classroom roster should be completed, for all cash collections by teachers/advisors which will include a specific description of the source of the funds. A copy of the receipts issued, or a copy of the completed roster by the teachers and advisors, should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in.

Ticket Sales

Observation

During our audit we found that the bookkeeper completes the 'Ticket Inventory/Sales' form after each ticketed event takes place, as opposed to the ticket seller. When one individual is responsible for maintaining custody of ticket sales, recording ticket revenues to club accounts, and preparing and making bank deposits, a deficiency in the segregation of duties is created when that individual also completes the 'Ticket Inventory/Sales' form.

Recommendation

The bookkeeper should only maintain the ticket inventory log and check out the tickets to the seller, noting the beginning ticket number. The seller is responsible for preparing the 'Ticket Inventory/Sales' form. The bookkeeper will reconcile the number of tickets sold to the funds collected and verify any differences noted.

DUTCHER MIDDLE SCHOOL

Cash Disbursements

Observation

During our audit of cash disbursements, we discovered internal controls over the disbursement process are not consistently adhered to. Purchases were made for the ASB and clubs where no pre-approval was obtained. The pre-approval process is crucial in that it ensures the ASB and clubs will not deficit spend their accounts. This is a repeat finding from the 2016-2017 year.

Recommendation

California *Education Code* Section 48933(b) states "The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons, which shall be obtained each time before any of the funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization."

Management
Turlock Unified School District

The District should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. In order to provide proper controls over spending, the site should take the necessary steps to ensure purchase orders are used, and approved prior to the item being purchased and by all required persons.

Inventory

Observation

During our audit, we found that the site does not have proper controls over student store inventory. A physical inventory is not taken quarterly and beginning and ending inventory is not documented; therefore, total sales cannot be reconciled to the amount of funds turned in to the bookkeeper.

Recommendation

A physical inventory should be taken quarterly. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site. Further information can be found in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org.

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

Eide Bailly LLP

Fresno, California
December 16, 2019

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[PAR AMOUNT]
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF
THE TURLOCK UNIFIED SCHOOL DISTRICT
ELECTION OF 2016, SERIES 2020

CONTINUING DISCLOSURE CERTIFICATE

[CLOSING DATE]

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Turlock Unified District (the "District") in connection with the issuance of ____________________ Dollars ($__________) aggregate principal amount of General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District, Election of 2016, Series 2020 (the "Bonds"). The Bonds are being issued pursuant to a Second Supplemental Paying Agent Agreement dated September 1, 2020, between the District and Zions Bancorporation, National Association (the "Paying Agent"), supplementing the Paying Agent Agreement dated May 1, 2017, between the District and the Paying Agent, as supplemented by the First Supplemental Paying Agent Agreement dated May 1, 2019, between the District and the Paying Agent (collectively, said agreements, as amended and supplemented from time to time, the "Paying Agent Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being delivered by the District for the benefit of the holders and beneficial owners of the Bonds, and to assist the Participating Underwriter, as defined below, in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, 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 means any report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person who (a) has or shares the power, directly or indirectly, to make investment decisions concerning 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.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means the District, or any successor Dissemination Agent designated in writing by the District, and which has filed with the District a written acceptance of such designation.

EMMA or Electronic Municipal Market Access means the centralized online repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

Financial Obligation means a (a) debt obligation; (b) 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 MSRB consistent with the Rule.

Listed Events means any of the events listed in Section 5(a) (Reporting of Significant Events – Significant Events) of this Disclosure Certificate.

MSRB means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information, which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Official Statement means the final Official Statement dated [SALE DATE], relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository means MSRB 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 means 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 means the State of California.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repository. The District shall, or shall cause the Dissemination Agent to, not later than nine and one half (9½) months after the end of each fiscal year, commencing with the report for the 2019-2020 Fiscal Year, due April 15, 2021, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) 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(d).

If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report by the date required above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

b. The Dissemination Agent shall:

(1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(2) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

a. Financial Statements. Audited financial statements prepared in accordance with the 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.

b. Other Financial Information and Operating Data. 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):

(1) Adopted budget of the District for the then current fiscal year, or a summary thereof;

(2) Average daily attendance of the District for the last completed fiscal year;

(3) Outstanding District indebtedness, including a separate statement of debt for School Facilities Improvement District No. 1, for the last completed fiscal year;

(4) Assessed valuation for real property located within School Facilities Improvement District No. 1 for the then current fiscal year; and

(5) In the event the County of Stanislaus and/or the County of Merced discontinue the Teeter Plan with respect to the taxes levied for debt service for Bonds, information regarding total secured tax charges and delinquencies on taxable properties within School Facilities Improvement District No. 1, if and to the extent provided to the District by the County of Stanislaus and the County of Merced.

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 that 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.

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
(7) modifications to rights of Bondholders, if material;
(8) Bond calls, if material;
(9) tender offers;
(10) defeasances;

(11) release, substitution, or sale of property securing repayment of the Bonds, if material;

(12) rating changes;

(13) bankruptcy, insolvency, receivership or similar event of the District;

(14) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;

(15) appointment of a successor or additional trustee or paying agent, or the change of name of the trustee or paying agent, if material;

(16) incurrence of a Financial Obligation of the District, if material, or agreement to covenant, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material;

(17) 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. Determination of Materiality. Whenever the District obtains knowledge of one of the foregoing events notice of which must be given only if material, the District shall immediately determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the District has determined an occurrence of a Listed Event under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file, with the MRB, in an electronic format prescribed by the MSRB, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten (10) business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) (Bond calls) need not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Paying Agent Agreement.

Section 6. Identifying Information for Filings with MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. 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(d) (Notice of Listed Events).

Section 8. **Dissemination Agent**. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Government Financial Strategies inc.

Section 9. **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 or 5(a), 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 type of business conducted;

b. the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Paying Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(d).

Section 10. **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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. If the District fails to comply with any provision of this Disclosure Certificate, any Bondholder 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 Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. **Duties, Immunities and Liabilities of Dissemination Agent**. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and 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 negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the District, the Paying Agent, 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.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the day and year first above written.

TURLOCK UNIFIED SCHOOL DISTRICT

By: ___________________________________
Dana Salles Trevethan, Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: Turlock Unified School District

Name of Bonds: GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF
THE TURLOCK UNIFIED SCHOOL DISTRICT
ELECTION OF 2016, SERIES 2020

Date of Delivery: [CLOSING DATE]

NOTICE IS HEREBY GIVEN that the Turlock Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed [CLOSING DATE], with respect to the above-captioned bond issue. The District anticipates that the Annual Report will be filed by ___________.

Dated: ____________________

TURLOCK UNIFIED SCHOOL DISTRICT

[SAMPLE ONLY]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[CLOSING DATE]

Board of Trustees
Turlock Unified School District
1574 East Canal Drive
Turlock, California 95380

Re: $[PAR AMOUNT]
General Obligation Bonds of
School Facilities Improvement District No. 1 of
The Turlock Unified School District
Election of 2016, Series 2020
Final Opinion of Bond Counsel

Members of the Board of Trustees:

We have acted as bond counsel in connection with the issuance by the Turlock Unified School District (the "District") of $[PAR AMOUNT] principal amount of General Obligation Bonds of School Facilities Improvement District No. 1 of the Turlock Unified School District, Election of 2016, Series 2020 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District. The tax for the payment of the Bonds is limited to annual taxes to be levied upon and collected from property within School Facilities Improvement District No. 1 of the Turlock Unified School District ("SFID No. 1").

2. All taxable property in the territory of SFID No. 1 is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. Stanislaus County and Merced County are required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PARKER & COVERT LLP

APPENDIX D

STANISLAUS COUNTY TREASURY POOL INVESTMENT POLICY

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2020

STANISLAUS COUNTY TREASURY POOL INVESTMENT POLICY

Donna Riley
Treasurer – Tax Collector
Effective Date: July 1, 2020

TABLE OF CONTENTS

1. Purpose

The purpose of the Stanislaus County Treasury Pool Investment Policy ("Policy") is to provide guidance for the investment of funds in excess of the current day anticipated expenditures. Investment responsibility has been entrusted and delegated to the Stanislaus County Treasurer (“Treasurer”) in accordance with California State Law (“Law”) and local ordinance. This policy is intended to provide guidelines to ensure compliance with State and local laws and the prudent money management and investment of funds in the Stanislaus County Treasury Pool (“Pool”).

2. Scope

This investment policy applies to all financial assets and investment activity of the County of Stanislaus (“County”) including monies entrusted to the Treasurer and deposited into the Pool by County departments, County & City Schools, StanCERA, and Special Districts. The funds covered by this Policy are accounted for and incorporated in the County of Stanislaus Comprehensive Annual Financial Report (CAFR) and include:

2.1. General Fund
2.2. Special Revenue Funds
2.3. Debt Service Funds
2.4. Capital Project Funds
2.5. Enterprise Funds
2.6. Internal Service Funds
2.7. Fiduciary Funds

3. Objective

The investment program shall provide for daily cash flow requirements while following the objectives of this Policy in priority order of Safety, Liquidity, and Return on Investment. In accordance with Government Code 53600.5, the primary objectives of the investment program for the Pool, in priority order, shall be:

3.1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a prudent manner as to ensure the preservation and return of capital in the overall portfolio. To attain this objective, investments will only be made in highly rated or strongly collateralized securities with a very high probability of maintaining the principal amount invested. The County will diversify its investments by type, issuer, and maturity among a variety of securities with independent returns.

3.2. Liquidity

The investment portfolio will remain sufficiently liquid to meet all anticipated cash flow requirements of all the Pool’s depositors. This may be accomplished through a variety of investment strategies, such as laddering investment maturities to meet historical cash flow needs, seasonal disbursements, and one-time disbursement requests by depositors. To further ensure liquidity, a portion of the Pool may be in highly liquid securities which can easily be sold on the secondary market or matched to know expenditures such as bond payments. In addition, reserves may be held in a local government investment pool offering same day withdrawal.

3.3. Return on Investments

The investment portfolio strategy shall be designed with the objective of achieving a competitive market rate of return or yield, while adhering to credit quality requirements and liquidity needs. A market rate of return should correspond with the County's investment risk constraints identified in the Policy and the cash flow requirements of the depositors. Due to the primary objectives of safety and liquidity, the portfolio's yield may be lower than that of a higher risk and/or longer maturity investment pool.

3.4. Strategy

The core investment strategy will call for securities to be held to maturity. The following exceptions may apply:

3.4.1 Liquidity needs of the portfolio require a security to be sold;
3.4.2 A security with declining credit may be sold early to minimize loss of principal; or
3.4.3 Sale of a security before maturity may be made if such sale will allow investment in a higher yielding instrument and any loss upon sale can be more than compensated by additional interest earnings within a six-month period.

4. Delegation of Authority

In accordance with Government Code Section 27000-27013 and Government Code 53607, the Stanislaus County Board of Supervisors ("Board") has delegated the daily investment of Pool funds to the Treasurer. This is an annual delegation given to the Treasurer by the Board and can be revoked at any time. The Treasurer is responsible for all transactions undertaken and for establishing a system of controls to regulate the activities of staff authorized to invest, specifically the Assistant Treasurer-Tax Collector and the Chief Deputy Treasurer, and their procedures in the absence of the Treasurer.

5. Prudent Investor Standard

In accordance with Government Code 53600.3, the County Treasurer is a fiduciary subject to the "Prudent Investor Standard" which shall be applied in the context of managing the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence to meet the objectives set forth in the Policy to safeguard investment principal, maintain liquidity needs of the County and earn a reasonable competitive market rate of return.

6. Ethics and Conflicts of Interest

Investment officials shall refrain from personal business activity that could conflict with proper execution and management of the Policy and investment program, or which could impair their ability to make impartial decisions. Investment officials must provide a public disclosure document (Form 700) by February 1 of each year or when material interest in financial institutions or personal investment positions require it. Furthermore, investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the County.

7. Treasury Oversight Committee

In accordance with Government Codes 27130 - 27137 and 53646, the Board established a Treasury Oversight Committee ("Committee") in 1996. The purpose of the Committee is to review and monitor the Policy and regular reporting thereof. The Committee will cause an annual audit to be conducted to determine compliance with this Policy.

This policy shall be reviewed by the Treasurer annually, and any changes prepared by the Treasurer shall be reviewed and approved for propriety by the Committee, prior to being submitted for review and approval by the Board at a public meeting. The members of the Committee are the County Auditor-Controller (or designee), the County Superintendent of Schools (or designee) and a member of the public familiar with the investment industry.

In 2004, Government Code Section 27131 (b) was added to remove the mandate requiring counties to have a Committee. The Committee is now optional and no longer required. However, Stanislaus County chooses to maintain its Treasury Oversight Committee functionality as an added layer of oversight and transparency to the compliance of investment policies and government code.

Pursuant to Government Code Sections 27132.1, 27132.2 and 27132.3, Committee members are prohibited from:

7.1. Being an employee of an entity, which has contributed to the campaign fund of any candidate for local treasurer or legislative body either during membership or three years prior to membership.

7.2. Raising any money for a candidate for local treasurer or governing board.

7.3. Securing employment with bond underwriters, bond counsel, security brokerages or dealers, or like financial services while a Committee member or for three years after leaving the Committee.

An annual certification of compliance as prepared by the Treasurer shall be submitted by Committee members.

Pursuant to Government Code Section 27132.4, Committee meetings shall be open to the public and subject to the Ralph M. Brown Act.

8. Limits on Honoraria, Gifts, and Gratuities

A limit of $50 per calendar year is placed on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury ("Treasury") conducts business by any member of the Committee, the Treasurer and any staff involved in the investment process. A Statement of Economic Interests (Form 700 from the California Fair Political Practices Commission) will be collected from the Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, and Chief Deputy Treasurer on an annual basis. Committee members will confirm their understanding and agreement with these limitations annually.

The acceptance of transportation, meals, and/or refreshments received during regularly scheduled conferences (such as the California Association of County Treasurers and Tax Collectors – CACTTC) are not prohibited by this Policy.

9. Authorized Broker/Dealers and Institutions

In accordance with Government Code 53601.5, the Treasurer shall maintain an approved list of broker/dealers and institutions authorized to provide investment services to the County. The approved list may include "primary" or regional dealers qualified under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule) with a minimum capitalization of $250,000 and have at least one major office in the State of California. Broker/Dealers staff assigned to Stanislaus County accounts must have at least five years of experience in California public agency investing with knowledge of investment products acceptable under the Stanislaus County Investment Policy. The firms and individuals assigned to the County accounts shall be reputable and trustworthy. No public deposit shall be made except in a qualified public depository as established by Law. All financial institutions and broker/dealers proposing to conduct investment transactions with the County shall supply the following to the Treasurer for review:

9.1. Proof of registration with the Financial Industry Regulation Authority (FINRA)

9.2. Proof of registration with the State of California

9.3. Completed Broker/Dealer questionnaire

9.4. Certification of review and willingness to comply with all aspects of this Policy.

Broker/Dealers are prohibited from making political contributions to any candidate for the Board or Treasurer, which exceed the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. The County is prohibited from selecting any broker/dealer or security firm within any consecutive 48-month period following a contribution exceeding the limit set forth in the above rule.

A review of the financial condition and registrations of previously approved Broker/Dealer firms will be conducted by the Treasurer, at least annually or more often, as needed. A current audited financial statement is required to be on file for each financial institution and broker/dealer on the County's approved list.

10. Authorized Investments

In accordance with Government Code 53601 and 53635, investments will only be made in authorized securities with a maturity date of five (5) years or less from the transaction settlement date unless otherwise approved by the Board. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

For the purpose of approved investments and compliance with the investment percentage limits compared to the overall portfolio balance, calculations shall be performed on the date the investment is purchased. If the percentage is legally compliant on the date of purchase, then compliance with the Law shall have been met. Calculations are to be based on the final maturity date, and neither duration nor average days may be used.

The investment instruments listed in Attachment 1 are authorized for investment and any instrument not listed are specifically prohibited. Authorized investments are allowed under California State Government Code 53601 and 53635 and concentration limitations are equivalent to, or more conservative than, the code allows.

11. Non-Authorized Investments

In accordance with Government Code 53601.6, investments in derivative securities such as inverse floaters, range notes, or mortgage-derived, interest-only strips or any securities that could result in zero interest accrual if held to maturity are prohibited.

12. Due Diligence - Investment Pools and Mutual Funds

Due diligence shall be performed by investigating any pool or fund prior to investing and on an annual basis thereafter. A completed questionnaire will be required which will answer the following questions:

12.1. A description of eligible investment securities, and a written statement of investment policy and objectives.

12.2. A description of interest calculations and how interest is distributed, and how gains and losses are treated.

12.3. A description of how the securities are safeguarded (including the settlement processes), how often the securities are priced, and the how often the program is audited for compliance.

12.4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.

12.5. A schedule for receiving statements and portfolio listings.

12.6. Are reserves, retained earnings, etc. utilized by the pool/fund?

12.7. A fee schedule, and when and how is it assessed.

12.8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

All Due Diligence reviews will be maintained with the annual investment files for a period of five (5) years. Third-party safekeeping arrangements will be approved by the Treasurer and will be corroborated by a written custodial agreement.

13. Review of Investment Portfolio

The securities held by the Pool must be in compliance with Section 10.0 Authorized Investments at the time of purchase. The Treasurer shall review the portfolio, at least monthly, to identify any securities that may not comply with Section 10.0 Authorized Investments after the date of purchase and establish a procedure to report to the Board and Committee any major or critical incidences of non-compliance identified through review of the portfolio. To ensure diversification of the portfolio, purchases of the following types of investments will limit issuers to 10% of the asset type, with a maximum of 15% per issuer across the total portfolio:

13.1 Certificates of Deposit

13.2 Negotiable Certificates of Deposit

13.3 Yankee Certificates of Deposit

13.4 Commercial Paper

13.5 Medium-Term and Corporate Notes

14. Collateralization

In accordance with Government Code 53601, collateralization will be required on certificates of deposit and repurchase agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for certificates of deposit and 102% or greater based on the collateral type for repurchase agreements. Collateralization of any investment will be in accordance with securities approved under this policy. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

15. Safekeeping & Custody

In accordance with Government Code 53608, all security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping statements.

16. Diversification

The Treasurer will diversify the Pool investments by security type and institution to achieve a diversified mix of independent maturities.

17. Maximum Maturities

Investment purchases shall not include securities maturing more than five years from the date of purchase unless previously approved by the County Board of Supervisors. If approved by the Board,

reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. Board approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

18. Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Pool are protected from loss, theft, fraud or misuse. Accordingly, the Treasurer shall budget for independent review by an external auditor, with the scope of the audit to be determined by the Auditor-Controller in consultation of the Treasury Oversight Committee. This review will provide internal control by assuring investment transactions are in compliance with policies, procedures and laws.

The annual audit shall be supervised by a Certified Public Accountant (CPA) who shall render an opinion to the Committee. The opinion shall be forwarded to the Board for review and acceptance. The selection of the CPA shall be by the Stanislaus County Auditor-Controller as a Committee member.

19. Performance Standards

The investment portfolio shall be designed with the objective of earning a rate of return throughout budgetary cycles, corresponding with the investment risk constraints and the cash flow needs of the Pool.

20. Reporting

In accordance with Government Code 53607, a monthly report shall be prepared by the Treasurer no later than 30 days following the end of the monthly reporting period. A copy of the report will be forwarded to Committee members, and the Treasurer will maintain a file of their acceptance. The report will be forwarded to the Board for final review and acceptance. The report will be provided through both the Board and Treasurer’s web sites.

The monthly report shall include:

- 20.1. A concise management summary of Pool activity and position rendered with statements of review and reconciliation with custodial records, source of market valuation, ability to meet next six (6) month's expenditures and for compliance with this Policy by the Treasurer.
- 20.2. A detailed listing of securities held at the end of the month grouped by investment type (e.g. CD, CP, MTN) and delineated as follows:
  - 20.2.1. Issuing agency (e.g. U.S. Government, FHLB, Toyota Motor Credit)
  - 20.2.2. Date purchased
  - 20.2.3. Date of maturity
  - 20.2.4. Par Value
  - 20.2.5. Book Value
  - 20.2.6. Market value
  - 20.2.7. Stated rate (coupon rate)
  - 20.2.8. Yield-to-Maturity
  - 20.2.9. Days-to-Maturity
- 20.3. A detailed listing of security transactions during the report period (purchases, sales and maturities) grouped by investment type and to include the following:
  - 20.3.1. Date of transaction

20.3.2. Issuing agency (e.g. U.S. Government, FHLB, Toyota Motor Credit)

20.3.3. Purchase, Deposit, Sale, Maturity or Withdrawal Amount

20.3.4. Stated rate (coupon rate)

20.3.5. A summary of Pool position by investment type dollar amount, percentage of total portfolio and average weighted maturity showing compliance with Policy limitations.

20.3.6. A summary by investment type of purchases and sales/maturities and ending position.

21. Investment Policy Adoption

In accordance with Government Code 53646, the Policy shall be adopted by resolution of the Board. The Policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

The Treasurer shall establish written procedures for the operation of the investment program consistent with this Policy. The procedures will include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

22. Investment Pool Expenses

The expenses for administration of the Pool shall be borne by all depositors by the utilization of investment earnings to offset the costs. Costs include normal Treasury costs for staff and support services in the areas of:

22.1. Handling, safekeeping, and depositing monies received;

22.2. Investment transactions and custodial safekeeping of securities;

22.3. Bank services; accounting, reporting, and auditing of deposit and investment transactions;

22.4. Training, informational, and educational materials and services related to financial markets, investments, and individual business and governmental entities' financial condition; and

22.5. Other duties and costs related to the management of Pool funds.

Appropriate costs normally charged as "Treasury/org 30400" on the Stanislaus County Auditor-Controller's records will incorporate and clearly define the Pool expenses.

23. Agencies' Voluntary Depositing and Withdrawal

"Voluntary" agency depositing is discouraged due to the potential volatility of depositing and withdrawal, which may occur. The Pool is designed as an operating fund for the County and entities, which are required to deposit by Law or have historically utilized the efficiencies of the Treasury. Only those agencies which use the Treasury for operational purposes due to their ties to County departmental functions, area schools or special public districts and are either required or allowed to deposit funds in the Treasury are allowed to be participants in the Pool.

Withdrawals from the Pool, for investment purposes outside of the Pool, by non-County member agencies may be done if the following conditions are met:

23.1. The agency has provided the Treasurer with legal authority that it can invest funds outside of the Pool and specifying that responsibility for investment of funds now resides with the agency;

23.2. The agency shows evidence of maintaining a minimum cash balance of one month's normal payroll expenditures for 30 days prior to the date of request as verified by the County Auditor-Controller;

23.3. The agency withdraws a minimum of $1,000,000 and will continue to maintain a minimum Pool cash balance of one month's normal payroll costs;

23.4. The agency makes its request in writing signed by an authorized representative of the agency's board; and

23.5. The agency must allow two business days for each five million dollars or increment thereof which is being withdrawn (e.g. a $15,000,000 withdrawal would require that the Treasurer receive a completed request form with appropriate signatures and verifications 6 business days before the funds are released)

If the withdrawing agency's Pool cash balance falls below one month's payroll expense, the Treasurer may demand that funds be retrieved to restore the Pool cash balance to such level.

Reinvestment of funds from external investments (e.g. California State Local Agency Investment Fund) may be done without the above procedures. The Treasurer's Office may verify with the Auditor's Office, by email, that the agency has one month's payroll expenditures as cash in the Pool exclusive of the redemption of the external investment funds.

24. Investment Earnings Apportionment and Rate

The Pool's investment earnings shall be apportioned by the following method. The investment earnings, which have been received in cash and accumulated from the beginning to the end of each calendar quarter, shall be apportioned to each cash balance fund maintained within the Pool. The apportionment of earnings to any cash balance fund will be in direct proportion of that fund's average daily cash balance to the entire Pool's average daily cash balance for that same quarter.

Example:

Earnings received for the quarter ending March 31	$5,000,000
Fund ABC average daily cash balance during the quarter	$10,000,000
Treasury Pool average daily cash balance during the quarter	$500,000,000
Interest earnings apportioned to Fund ABC would be calculated as $5,000,000 x ($10,000,000/$500,000,000)	$100,000

Cash balance accounts shall be maintained in and earnings apportionment shall be performed by the County Auditor-Controller's Office.

The cash earnings apportionment rate is calculated as the investment earnings received on a cash basis for the quarter divided by the average daily cash balance for the entire Pool, annualized (times four). In the example above the cash earnings apportionment rate would be 4% [($5,000,000 / $500,000,000) x 4].

25. Exemptions and Amendments

Any investment held prior to the adoption of changes to this Policy, which does not meet the revised guidelines of the Policy, shall be exempted from the requirements. Upon that investment's maturity or liquidation, the monies received shall be invested in accordance with this Policy.

ATTACHMENT I – AUTHORIZED INVESTMENTS

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Local Agency Bonds, Notes, and Warrants						
Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency including Stanislaus County.	53601 (a)(e)	5 years	None	None	None	None
U.S. Treasury Obligations						
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.	53601 (b)	5 years	None	None	None	None
California State Registered Warrants, Treasury Notes, and Bonds						
Registered State warrants or Treasury notes or bonds of this State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.	53601 (c)	5 years	None	None	None	None

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
State Registered Treasury Notes and Bonds						
Registered Treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a State or by a department, board, agency, or authority of any of the other 49 states, in addition to California.	53601 (d)	5 years	None	None	None	None
U.S. Agency Obligations						
Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.	53601 (f), 53601.6	5 years	None	None	None	None
Bankers' Acceptances						
Bankers’ acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.	53601 (g)	180 days	40%	30%	None	None

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Commercial Paper						
Commercial paper of "prime" quality only. The entity that issues the commercial paper shall meet all of the following conditions: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.	53601 (h), 53601.2, 53635 (a)	270 days	40%	10%	"A-1" by S&P or equivalent by an NRSRO	Must not exceed 10% of the outstanding commercial paper of one issuer, commercial paper must be 3(a)3 only. 144A commercial paper is not allowed. NRSRO is a nationally recognized statistical rating organization.
Negotiable Certificates of Deposit						
Negotiable certificates of deposit issued by a Nationally- or State-Chartered Bank, or by a Federally- or State-Licensed branch of a foreign bank. NCD's are highly liquid and actively traded in the secondary market.	53601 (i), 53638	5 years	30%	10%	None	The deposit shall not exceed the shareholder's equity of any depository bank.
Certificates of Deposit (Non-Negotiable)						
Certificates of deposit issued by a nationally or state-chartered bank which are 110% collateralized by the institution with government securities.	53635, 53635.2, 53635.8, 53636, 53637, 53638, 53641	5 years	None	10%	None	The deposit shall not exceed the shareholder's equity of any depository bank.

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Repurchase Agreement						
Repurchase Agreement for any security authorized by government code 53601 with an approved broker/dealer and a third-party custodial bank. Signed Master Repurchase Agreement is required.	53601 (j)	1 year	None	None	None	The market value of the agreement's underlying securities shall be valued at 102% or greater. Reverse repurchase agreements are prohibited.
Medium-Term and Corporate Notes						
Debt securities issued by corporate or depository institutions operating or licensed in the United States with a maximum remaining maturity of five years or less.	53601 (k)	5 years	30%	10%	"A" by S&P or equivalent by an NRSRO	Notes purchased at par or a discount and payable at par or greater are preferred. Private placement notes are prohibited.
Mutual Funds (Beneficial Interest)						
Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by Government Code 53601 (a) to (l) inclusive and have assets under management in excess of $500 million.	53601 (l)(1)	N/A	20%	10%	See Additional Requirements	Mutual Fund must receive highest rating by not less than two NRSROs or have an investment advisor registered or exempt from registration with the Securities & Exchange Commission (SEC) with at least five years' experience investing in instruments authorized by Sections 53601 and 53635 with assets under management in excess of $500 million dollars.

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Money Market Mutual Funds (Beneficial Interest)						
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.)	53601 (l)(2)	N/A	20%	None	See Additional Requirements	Money Market Mutual Fund must receive highest rating by not less than two NRSROs or have an investment advisor registered or exempt from registration with the SEC with at least five years' experience investing in money market mutual funds with assets under management in excess of $500 million dollars.
California Asset Management Program (CAMP)						
CAMP is a California Joint Powers Authority established in 1989 for public agencies to jointly exercise their common power to invest surplus funds.	53601 (p)	N/A	None	N/A	None	To be used for reserves and liquidity
Local Agency Investment Fund (LAIF)						
LAIF is a voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts.	16429.1 (b)	N/A	$75 million **or** as approved by the State Treasurer	N/A	None	To be used for reserves and liquidity

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or $ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Supranational Bonds and Notes						
Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB) and eligible for purchase and sale in the United States.	53601 (q)	5 years	30%	None	"AA" by S&P or equivalent by an NRSRO	None

ATTACHMENT II – GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the *(entity).* It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued a discount and redeemed at maturity for full face value *(e.g., U.S. Treasury Bills.)*

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUTUAL FUND: An investment company that pools cash and is able to invest in a variety of securities, including fixed-income securities and money market instruments, as outlined in the fund's prospectus.

NRSRO: National Recognized Statistical Rating Organization; current NRSROs include: A.M. Best Rating Services, Inc., DBRS, Inc., Egan-Jones Ratings Co., Fitch Ratings, Inc., HR Ratings de México, S.A. de C.V., Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody's Investors Service, Inc., & S&P Global Ratings.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): Reverse repurchase agreements are forms of short-term lending and borrowing using bonds or securities as collateral.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB): Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The annual rate of income returned on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

News Release

FOR IMMEDIATE RELEASE
Date: May 4, 2020

For more information contact:
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(Sacramento, California) – The California Municipal Treasurers Association (CMTA) Investment Policy Certification has been granted to **Stanislaus County**.

This Investment Policy Certification recognizes that CMTA has validated that Stanislaus County's Investment Policy adheres with the State of California Government Code and meets the program requirements within 18 different topics areas deemed to be best practices for investment policies. Those topics include: Scope, Prudence, Objective, Delegation of Authority, Ethics and Conflicts of Interest, Authorized Financial Dealers and Institutions, Authorized and Suitable Investments, Review of Investment Portfolio, Investment Pools/Mutual Funds, Collateralization, Safekeeping and Custody, Diversification, Maximum Maturities, Internal Controls, Performance Standards, Reporting, Investment Policy Adoption and Glossary. Once a policy is received by CMTA, it is independently evaluated using a scoring matrix by three separate CMTA professionals. When the agency receives a passing score, the Investment Policy earns the 'Certified' distinction.

To enhance the municipal treasurer's role, CMTA has developed a number of certification programs to reflect best practices and increase an individual's knowledge of fixed income instruments. The Investment Policy Certification program began in 2012 with the support from the California Debt and Investment Advisory Commission. It is open to all government agencies within the State of California including special districts, cities and counties.

CMTA was founded in 1958 by a handful of Municipal Treasurers from both Northern and Southern California whose primary interest was to improve their function in local Government. CMTA is a professional organization governed by active public officials who are representatives of their own local governmental units.

California Municipal Treasurers Association

Investment Policy Certification

Issued on 05/04/2020

Stanislaus County

The California Municipal Treasurers Association certifies that the investment policy of Stanislaus County complies with the current State statutes governing the investment practices of local government entities located within the State of California.

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APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

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The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the School District which the School District believes to be reliable, but the School District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record-Keeping

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the securities (in this Appendix, 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 has a Standard & Poor's rating of AA+. 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the

Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School 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).

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

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

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

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

Discontinuance of DTC Services

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds, or (ii) DTC shall no longer so act and gives notice to the School District of such determination, then the School District will discontinue the book-entry system with DTC for the Bonds. If the School District determines to replace DTC with another qualified securities depository, the School District will prepare or direct the preparation of a new single separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the School District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names owners of the Bonds transferring or exchanging Bonds shall designate, and the School District will prepare and deliver Bonds to the owners thereof for such purpose.

In the event that the book-entry system is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the office of the Paying Agent identified in the Paying Agent Agreement, and (iii) the Bonds will be transferable and exchangeable as provided in the Paying Agent Agreement.

The School District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Paying Agent Agreement; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the

Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Paying Agent Agreement. The School District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The School District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

Government
Financial
Strategies