NEW ISSUE – BOOK-ENTRY-ONLY **RATING: S&P: "AA"**
UNDERLYING RATING: S&P: "A"
(See "RATINGS" herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

$4,100,000
ARVIN UNION SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
Election of 2014, Series 2019C
(Bank Qualified)

Dated: Date of Delivery **Due: November 1, as shown on inside cover**.

The General Obligation Bonds, Election of 2014, Series 2019C (Bank Qualified) (the "Bonds") of the Arvin Union School District (the "District") were authorized at a bond election conducted in the District on November 4, 2014 (the "2014 Election"), at which more than 55% of the voters within the District voting on the measure voted to approve the issuance by the District of $15,000,000 aggregate principal amount of bonds, as more fully described herein under the caption "INTRODUCTION." The proceeds of the Bonds are being used to finance the construction, acquisition, furnishing and equipping of certain District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE."

The Bonds will be issued in authorized denominations of $5,000 principal amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of Zions Bancorporation, National Association, as paying agent for the Bonds (the "Paying Agent").

The Bonds are the third series of bonds issued pursuant to the authorization approved by the voters at the 2014 Election, and, following the issuance thereof, $4,285,000 of authorization under the 2014 Election will remain. The Bonds are issued on a parity with all other general obligation bonds of the District, including general obligation bonds issued pursuant to previous authorizations.

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing May 1, 2020, and semiannually thereafter on May 1 and November 1 of each year. See "THE BONDS" herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry-Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption" herein.

The Bonds are general obligations of the District only and are not obligations of the County of Kern, the State of California or any of its other political subdivisions. The Board of Supervisors of the County of Kern has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property in the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
On Inside Cover

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Pursuant to the terms of a public sale on December 3, 2019, the Bonds were awarded to Robert W. Baird &Co., Inc. (the "Original Purchaser") at a true interest cost of 3.053781%. The Bonds will be offered when, as and if issued and received by the Original Purchaser, subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form through the facilities of DTC on or about December 18, 2019.

Dated: December 3, 2019

MATURITY SCHEDULE

$4,100,000
ARVIN UNION SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2014, SERIES 2019C
(BANK QUALIFIED)

$225,000 Serial Bonds

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (043303)
2021	$140,000.00	6.000%	1.150%	JS6
2022	35,000.00	6.000	1.170	JT4
2023	50,000.00	6.000	1.400	JU1

$265,000 5.000 % Term Bonds Maturing November 1, 2035, Priced to Yield 2.00[(c)]%; CUSIP No. 043303KB1

$370,000 5.000% Term Bonds Maturing November 1, 2039, Priced to Yield 2.150[(c)]%; CUSIP No. 043303KF2

$760,000 3.250% Term Bonds Maturing November 1, 2044, Priced to Yield 2.700[(c)]%; CUSIP No. 043303KL9

$2,480,000 3.000% Term Bonds Maturing November 1, 2048, Priced to Yield 2.800[(c)]%; CUSIP No. 043303KQ8

[(C)] Yield to par call on November 1, 2028.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Original Purchaser and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Original Purchaser is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The information and expressions of 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 District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Kern (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH 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 ORIGINAL PURCHASER 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 SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE ORIGINAL PURCHASER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements included or incorporated by reference in the following information constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the District's forecasts. The District is not obligated and does not plan to issue any updates or revisions to the forward looking statements in any event.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The District maintains a website and a social media presence. However, the information presented thereon is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

ARVIN UNION SCHOOL DISTRICT
Kern County, State of California

District Administrators

Georgia Rhett, Superintendent
Chris Davis, Chief Business Officer

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP
San Francisco, CA

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Fieldman, Rolapp & Associates, Inc.
Irvine, CA

Paying Agent

Zions Bancorporation, National Association
Los Angeles, California

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ARVIN UNION SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
Election of 2014, Series 2019C
(Bank Qualified)

INTRODUCTION

The Arvin Union School District (the "District"), a school district of the State of California (the "State"), proposes to issue $4,100,000 aggregate principal amount of its General Obligation Bonds Election of 2014, Series 2019C (Bank Qualified) (the "Bonds"), under and pursuant to a bond authorization for the issuance and sale of not more than $15,000,000 of general obligation bonds (the "Authorization") approved by more than 55% of the voters of the District voting at an election held on November 4, 2014 (the "2014 Election").

Proceeds from the sale of the Bonds will be used for the acquisition, construction, furnishing and equipping of certain District facilities (collectively, the "Projects") and the payment of costs of issuance of the Bonds, all as further described herein under "PLAN OF FINANCE" and as provided in the bond proposition approved at the 2014 Election, in accordance with the Constitution and laws of the State.

The Bonds are the third issue under the Authorization, after which $4,285,000 of the Authorization will remain for issuance of subsequent series of the District's general obligation bonds. The District has other general obligation bonds outstanding pursuant to earlier authorizations. All general obligation bonds issued by or on behalf of the District are or will be issued on a parity with the Bonds. See the caption "– Proposition 39" under the heading "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED BY AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT. THE BONDS ARE NOT AN OBLIGATION OF THE GENERAL FUND OF THE DISTRICT OR OF THE COUNTY OF KERN (THE "COUNTY"). SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

The District was established in 1913. The District is comprised of an area of approximately 270 square miles within the County. The District serves students in grades kindergarten through 8th grade. The District currently operates three (3) elementary schools and one middle school. See APPENDIX A – "THE DISTRICT."

The District has certain existing lease financing obligations as set forth in APPENDIX A and direct and overlapping bonded indebtedness as set forth under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct and Overlapping Debt." The District's audited financial statements for fiscal year 2017-18 are attached hereto as APPENDIX C. For further information concerning the District, see APPENDIX A – "THE DISTRICT."

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are being issued by the District under the provisions of (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as amended, (ii) applicable provisions of the Education Code of the State, as amended, (iii) Article XIIIA of the California Constitution and (iv) pursuant to a resolution of the Board of Trustees of the District adopted on November 19, 2019 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

Purpose of Issue

The District submitted a project list (the "Project List") to the voters at the 2014 Election, specifying the Projects, from which a number of components will be financed with the proceeds of the Bonds. Details regarding the Project List and the proposed components to be financed are set forth under the caption "PLAN OF FINANCE" herein.

A portion of the net proceeds of sale of the Bonds, after payment of costs of issuance, shall be applied or deposited into the Debt Service Fund and Building Fund of the District, and applied to pay the costs of certain of the Projects pursuant to the Resolution. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds. Moneys in the Debt Service Fund are expected to be invested through the Kern County Treasury Pool. See "THE KERN COUNTY TREASURY POOL" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and be issued in authorized denominations of $5,000 or any integral multiple thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement. **The Bonds are not subject to acceleration.**

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer of funds by Zions Bancorporation, National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM" herein.

Payment of the Bonds

Interest on each Bond shall accrue from its dated date. Interest on the Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on May 1 and

November 1 of each year (each, an "Interest Payment Date"), commencing May 1, 2020, to the registered owner (each, an "Owner") thereof as of the close of business on the fifteenth calendar day of the month next preceding any Interest Payment Date (a "Record Date"). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond, interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 aggregate principal amount or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Optional Redemption

The Bonds maturing on or before November 1, 2028, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 2029, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after November 1, 2028, at par, together with interest accrued thereon on the date of redemption, without premium. For the purposes of such selection, the Bonds will be redeemed to consist of $5,000 portions by principal amount, and any such portions may be separated redeemed.

Mandatory Sinking Fund Redemption

The Bonds maturing on November 1, 2035, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2029, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2029	$15,000
2030	20,000
2031	30,000
2032	35,000
2033	45,000
2034	55,000
2035(1)	65,000

(1) Maturity.

The Bonds maturing on November 1, 2039, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2036, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	**Mandatory Sinking Fund Payment**
2036	$75,000
2037	85,000
2038	100,000
2039[1]	110,000

[1] Maturity.

The Bonds maturing on November 1, 2044, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2040, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	**Mandatory Sinking Fund Payment**
2040	$125,000
2041	135,000
2042	150,000
2043	165,000
2044[1]	185,000

[1] Maturity.

The Bonds maturing on November 1, 2048, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2045, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	**Mandatory Sinking Fund Payment**
2045	$360,000
2046	385,000
2047	840,000
2048[1]	895,000

[1] Final Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the payment date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity and within a maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP® numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest on such Bonds shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event the Bonds are no longer held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to DTC and any other securities depositories designated by the District in accordance with the Resolution; and (iii) in the event the Bonds are no longer held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, or (2) overnight delivery service, to the Municipal Securities Rulemaking Board.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Resolution shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

Partial Redemption of Bonds

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

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys by the Paying Agent to pay the redemption price of the designated Bonds, and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Owners of affected Bonds and the MSRB in the event such conditions are not met and are not expected to be met and/or in the event funds are not received or are not expected to be received.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund or a designated escrow fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent, or deposited by a duly appointed escrow agent, in trust, so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, and any conditions to such redemption described in the Redemption Notice shall be met, interest on the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

Transfer and Exchange

The transfer of any Bond may be transferred upon the Bond Register upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer as provided in the Resolution, duly executed by the Owner or such Owner's duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor, series and maturity in the same Principal Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether the Principal of, premium, if any, or interest on such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, and interest on such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like series, tenor, maturity, and Principal Amount of other authorized denominations. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Discharge and Defeasance

If all or any portion of the outstanding Bonds shall be paid and discharged in any one of the following ways:

(a) by paying or causing to be paid the principal amount, premium, if any, and interest on such Bonds, and when the same become due and payable;

(b) by depositing with the Paying Agent or with a duly appointed escrow agent, in trust, at or before maturity, cash which together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution that meets the requirements of serving as successor Paying Agent pursuant to the Resolution selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, as verified by a nationally recognized independent certified public accountant to be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the Resolution with respect to such Bonds shall cease and terminate, except only the obligation of the Paying Agent or escrow agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry-Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see APPENDIX E hereto.

ESTIMATED SOURCES AND USES

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

Sources of Funds	
Principal Amount	$4,100,000.00
Net Original Issue Premium	246,362.80
Total Sources	$4,346,362.80
Uses of Funds	
Deposit to Building Fund	$3,922,681.45
Deposit to Debt Service Fund	246,362.80
Deposit to Costs of Issuance Account(1)	177,318.55
Total Uses	$4,346,362.80

(1) Includes payment of Original Purchaser's discount, Bond and Disclosure Counsel fees, Municipal Advisor fees, Paying Agent fees, rating agency fees, bond insurance premium, Preliminary Official Statement and Official Statement printing and other costs of issuance.

PLAN OF FINANCE

The District intends to apply the net proceeds of sale of the Bonds to various capital improvements included on the Project List approved by the voters at the 2014 Election. The Board of Trustees retains the ability to set priorities among listed Projects, in order to meet the needs of the District and its students. The Project List includes the following components:

- ***Modernization/Classroom Upgrade Projects:***

Install energy-efficient systems, including heating, ventilation and cooling systems for cost savings; replace existing window systems with energy-efficient systems; replace older ceilings, heating, ventilation, air conditioning and lighting systems with building code-compliant, energy-efficient systems; paint, re-floor and improve ceilings, doors and hardware in existing classrooms; upgrade facilities to comply with Americans with Disability Act requirements and current building codes.

- ***Replacing Portables with Permanent Facilities:***

Replace existing portables nearing the end of their useful lives with permanent facilities.

- ***Technology and Infrastructure Improvements:***

Make infrastructure improvements at facilities to increase campus connectivity to support educational programs and permit District students to achieve competence in the use of computers and access to the internet.

- ***Furnishings and Equipment:***

Furnish and equip classrooms, science labs and multipurpose rooms and facilities, with a focus on the acquisition of desks, tables, chairs and shelving that can be reconfigured for multiple classroom uses.

- ***Collaboration Spaces:***

Construct or reconfigure spaces adjacent to classrooms that can be used for break-out activities, small group assignments, tutoring and team teaching.

- ***Fitness and Indoor Play Areas/Locker Rooms:***

At Haven Middle School, create, furnish and equip indoor fitness space supporting physical education, which can be used for gatherings during inclement weather and on days with unhealthy air quality; at Haven Middle School, upgrade and modernize all locker room facilities.

- ***Playfield Improvements:***

Upgrade playfields, hard courts, tracks, fitness stations and equipment storage facilities at schools; add shade structures at play areas; upgrade and replace playground equipment to meet current safety standards.

- ***Food Service Upgrades/Expansion and Covered Dining:***

Modernize and improve the District's multipurpose rooms and kitchen facilities to accommodate students during meal and snack times; add shade structures for students to take outdoor meals and snacks.

- ***Library/Media Center Upgrades:***

Update the Library/Media Center for student accessibility; add technology upgrades to Library/Media Center to aid in student access to technology.

- ***Student Services Facilities:***

Create spaces to provide services to students and parents, including a parent center, a community-based health clinic and spaces for professional development and staff meetings.

- ***Parking, Drop-Off Safety Improvements:***

Improve driveways, turnouts and access points to provide safer student drop-off; build or improve parking lots to provide sufficient capacity for busses and private vehicles; add pedestrian walkways to improve traffic flow around schools.

- ***Security and Classroom Buildings Systems:***

Install new security systems, such as security (surveillance) cameras, outdoor lighting, perimeter fencing, gates and classroom door locks and related electrical systems; upgrade emergency communication systems; upgrade fire alarm systems to automatic systems, repair and replace fire safety equipment, add sprinklers and fire safety doors; upgrades to schools in order to meet handicap accessibility requirements; replace/upgrade existing signage, bells and clocks; make HVAC improvements at all schools.

- ***Water Filtration and Plumbing Systems:***

Undertake plumbing and site utility upgrades in order to address poor water quality in the area and install water filtration systems where necessary.

- ***Outdoor Learning, Hardscapes and Landscaping:***

Improve exterior spaces at all schools to permit their use for outdoor learning; landscape exteriors to minimize water use and increase flexibility in outdoor learning; furnish outdoor learning spaces, as appropriate.

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DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements for the Bonds and the other outstanding general obligation bonds of the District, assuming no optional redemption:

Year Ending November 1	Outstanding Bonds	The Bonds Principal	The Bonds Interest	Total Debt Service(1)
2020	$ 1,451,200		$125,504.31	$1,576,704.31
2021	1,289,425	$ 140,000	144,350.00	1,573,775.00
2022	1,008,325	35,000	135,950.00	1,179,275.00
2023	1,049,900	50,000	133,850.00	1,233,750.00
2024	1,028,700	-	130,850.00	1,159,550.00
2025	1,062,575	-	130,850.00	1,193,425.00
2026	1,133,825	-	130,850.00	1,264,675.00
2027	1,191,444	-	130,850.00	1,322,294.00
2028	1,237,282	-	130,850.00	1,368,132.00
2029	1,287,275	15,000	130,850.00	1,433,125.00
2030	1,332,219	20,000	130,100.00	1,482,319.00
2031	1,395,994	30,000	129,100.00	1,555,094.00
2032	1,443,957	35,000	127,600.00	1,606,557.00
2033	1,510,444	45,000	125,850.00	1,681,294.00
2034	1,585,820	55,000	123,600.00	1,764,420.00
2035	1,634,682	65,000	120,850.00	1,820,532.00
2036	1,702,057	75,000	117,600.00	1,894,657.00
2037	1,772,832	85,000	113,850.00	1,971,682.00
2038	1,852,069	100,000	109,600.00	2,061,669.00
2039	1,925,919	110,000	104,600.00	2,140,519.00
2040	2,003,156	125,000	99,100.00	2,227,256.00
2041	2,078,431	135,000	95,037.50	2,308,468.50
2042	2,156,856	150,000	90,650.00	2,397,506.00
2043	2,263,256	165,000	85,775.00	2,514,031.00
2044	2,342,431	185,000	80,412.50	2,607,843.50
2045	2,274,406	360,000	74,400.00	2,708,806.00
2046	2,350,506	385,000	63,600.00	2,799,106.00
2047	2,024,213	840,000	52,050.00	2,916,263.00
2048	1,194,969	895,000	26,850.00	2,116,819.00
Total	$46,584,168	$4,100,000	$3,195,379.31	$53,879,547.31

(1) Includes all debt service on the District's general obligation bonds, including those issued pursuant to the District's 2004 bond authorization and the 2014 bond authorization. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Certain Existing Obligations" herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds.

Subsequent to the issuance of the Bonds, $4,285,000 will remain for issuance of additional general obligation bonds under the Authorization.

All general obligation bonds of the District are issued on a parity with one another.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the District's control, such as a decline in general economic conditions or a general market decline in land values, changes in supply and demand for real property in the area, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or other government regulations such as zoning, or the complete or partial destruction, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, fire, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds, including the Bonds. See " – Effect of Natural Disasters on Assessed Valuations" herein.

The District's fiscal year 2019-20 total assessed valuation of property within its boundaries is $1,514,676,663. Shown in the following tables are the assessed valuations of property in the District during the past seven fiscal years, fiscal year 2019-20 assessed valuation and parcels by land use, per parcel fiscal year 2019-20 assessed valuation of single family homes, fiscal year 2019-20 assessed valuation by jurisdiction, and the twenty largest secured taxpayers in the District for fiscal year 2019-20.

ARVIN UNION SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2013-14 THROUGH 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total
2013-14	$ 776,008,797	$363,620,198	$16,546,742	$1,156,175,737
2014-15	809,560,825	343,425,198	23,635,491	1,176,621,514
2015-16	839,914,005	370,320,198	24,797,861	1,235,032,064
2016-17	928,862,238	342,035,382	31,435,799	1,302,333,419
2017-18	982,434,992	298,889,382	31,409,119	1,312,733,493
2018-19	1,044,112,469	276,989,382	34,779,030	1,355,880,881
2019-20	1,167,190,895	312,789,382	34,696,386	1,514,676,663

Source: California Municipal Statistics, Inc.

ARVIN UNION SCHOOL DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

	2019-20 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 380,838,280	25.73%	970	18.79%
Commercial/Office	35,795,339	2.42	152	2.94
Vacant Commercial	1,339,166	0.09	27	0.52
Recreational	554,240	0.04	2	0.04
Industrial	277,213,653	18.73	104	2.01
Vacant Industrial	773,054	0.05	12	0.23
Power Plant/Utility Roll	312,789,382	21.13	4	0.08
Government/Social/Institutional	2,976,609	0.20	71	1.38
Subtotal Non-Residential	$1,012,279,723	68.40%	1,342	25.99%
Residential:				
Single Family Residence	$ 420,206,145	28.39%	3,088	59.81%
Mobile Home	4,214,195	0.28	203	3.93
Mobile Home Park	3,975,620	.27	7	0.14
2-4 Residential Units	25,773,265	1.74	224	4.34
5+ Residential Units/Apartments	4,090,746	0.28	28	0.54
Vacant Residential	9,440,583	0.64	271	5.25
Subtotal Residential	$ 467,700,554	31.60%	3,821	74.01%
Total	$1,479,980,277	100.00%	5,163	100.00%

[1] Total Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

ARVIN UNION SCHOOL DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Medium Assessed Valuation
Single Family Residential	3,088	$420,206,145	$136,077	$124,989

2019-20 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	51	1.652%	1.652%	$ 864,320	0.206%	0.206%
$25,000 - $49,999	130	4.210	5.861	5,187,142	1.234	1.440
$50,000 - $74,999	271	8.776	14.637	17,035,432	4.054	5.494
$75,000 - $99,999	419	13.569	28.206	37,405,498	8.902	14.396
$100,000 - $124,999	674	21.826	50.032	75,140,791	17.882	32.278
$125,000 - $149,999	367	11.885	61.917	50,264,014	11.962	44.240
$150,000 - $174,999	343	11.108	73.025	55,727,451	13.262	57.501
$175,000 - $199,999	348	11.269	84.294	65,316,726	15.544	73.045
$200,000 - $224,999	228	7.383	91.677	48,013,894	11.426	84.472
$225,000 - $249,999	175	5.667	97.345	41,073,061	9.775	94.246
$250,000 - $274,999	50	1.619	98.964	12,818,784	3.051	97.297
$275,000 - $299,999	6	0.194	99.158	1,724,557	0.410	97.707
$300,000 - $324,999	5	0.162	99.320	1,578,389	0.376	98.083
$325,000 - $349,999	2	0.065	99.385	673,830	0.160	98.243
$350,000 - $374,999	8	0.259	99.644	2,902,663	0.691	98.934
$375,000 - $399,999	6	0.194	99.838	2,321,093	0.552	99.486
$400,000 - $424,999	2	0.065	99.903	827,427	0.197	99.683
$425,000 - $449,999	2	0.065	99.968	863,934	0.206	99.889
$450,000 - $474,999	1	0.032	100.000	467,139	0.111	100.000
$475,000 - $499,999	0	0.000	100.000	0	0.000	100.000
$500,000 and greater	0	0.000	100.000	0	0.000	100.000
Total	3,088	100.000%		$420,206,145	100.000%	

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

ARVIN UNION SCHOOL DISTRICT
2019-20 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Arvin	$ 552,721,015	36.49%	$ 552,721,015	100.00%
Unincorporated Kern County	961,955,648	63.51	54,527,229,837	1.76
Total District	$1,514,676,663	100.00%		
Kern County	$1,514,676,663	100.00%	$95,585,295,862	1.58%

Source: California Municipal Statistics, Inc.

ARVIN UNION SCHOOL DISTRICT
2019-20 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total[1]
1.	Pastoria Energy Facility, LLC	Power Plant	$312,700,000	21.13%
2.	National Cement Co. of California	Industrial	135,026,893	9.12
3.	Tejon Ranch Co.	Industrial	93,984,320	6.35
4.	Anthony Vineyards Inc.	Industrial	54,684,842	3.69
5.	Grimmway Enterprises Inc.	Industrial	44,174,082	2.98
6.	Giumarra Vineyards Corp.	Agricultural	23,310,409	1.58
7.	Crystal Organic Farms LLC	Agricultural	17,573,333	1.19
8.	Diamond Farming Co.	Agricultural	16,103,153	1.09
9.	Delano Farms Co. Inc.	Agricultural	15,864,477	1.07
10.	Bear Mt. Arvin LP	Agricultural	11,363,466	0.77
11.	Thomas R. & Ruth M. Fry Trust	Agricultural	11,112,491	0.75
12.	Farmland Reserve Inc.	Agricultural	10,330,725	0.70
13.	Blue River Farms LLC	Agricultural	7,845,778	0.53
14.	Fowler Packing Co. Inc.	Agricultural	7,652,699	0.52
15.	Mzirp Inc.	Agricultural	7,496,330	0.51
16.	Sycamore Road Arvin LP	Agricultural	6,690,521	0.45
17.	Bhogal Farms	Agricultural	6,257,836	0.42
18.	Bolthouse Land Company LLC	Agricultural	5,975,292	0.40
19.	Wonderful Citrus LLC	Agricultural	5,836,942	0.39
20.	Mettler Group LLC	Agricultural	5,652,965	0.38
			$799,636,554	54.03%

[1] 2019-20 Total Secured Assessed Valuation: $1,479,980,277
Source: California Municipal Statistics, Inc.

Effect of Natural Disaster on Assessed Valuations

As referenced under "– Assessed Valuations" herein, assessed valuations are subject to change in each year and such changes may result from a variety of factors, including natural disasters. In recent years, there have been several notable natural disasters in the State. These include drought conditions throughout the State, which led to a "State-wide Drought" State of Emergency issued in January 2014, and certain executive orders issued by the Governor in 2015 and 2016, aiming to reduce the water usage in local communities. The State-wide Drought was declared as ended in 2017 in most of the State due to record-level precipitation in late 2016 and early 2017. In addition, major wildfires have occurred in recent years in different regions of the State. The District did not sustain any property loss as a result of these recent fires. However, serious and significant property damage has resulted in areas of the State due to wildfires. On September 21, 2018, the Governor signed a number of measures into law, addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acreage consumed by wildfire in the State would both increase in the future. This report details significant economic impacts to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov. The reference to this website is included for convenience only; the information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by this reference.

The District cannot predict or make any representation regarding the effects that natural disasters, such as fire, drought or extended drought conditions, earthquakes or other natural or man-made conditions have or may have on the value of taxable property within the District, or to what extent the effects of such natural disasters might have on economic activity within the District or throughout the State. See below under the heading "– Appeals and Potential Reduction of Assessed Valuations."

Appeals of Assessed Value; Proposition 8 Reductions

A property owner may appeal a county assessor's determination of assessed value based on Proposition 8, passed by the voters in November 1978 ("Proposition 8"), or based on a challenge to the base year value.

Proposition 8 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. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner's belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the county assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal, or unilateral reassessment by the county assessor, applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and 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 change of ownership or new construction date.

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

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the District for the payment of principal of and interest on the Bonds, when due.

Proposition 50 and Proposition 171

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

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

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

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

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

***Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, then a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

Tax Charges and Delinquencies

The County's secured tax roll charges and corresponding delinquencies with respect to property located in the District for the five-year period from fiscal year 2014-15 through 2018-19 are set forth in the following table.

ARVIN UNION SCHOOL DISTRICT
Secured Tax Charges and Delinquencies(1)
Fiscal Years 2014-15 through 2018-19

Fiscal Year	Secured Tax Charge(2)	Amt. Del. June 30	% Del. June 30
2014-15	$449,326.53	$2,718.52	0.61%
2015-16	578,889.47	3,909.38	0.68
2016-17	868,613.00	6,400.89	0.74
2017-18	850,634.22	6,666.44	0.78
2018-19	898,025.51	6,235.79	0.69

(1) Kern County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
(2) Bond debt service levy only.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. The District knows of no consideration by the County to discontinue the Teeter Plan.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 54-017, a typical tax rate area within the District, for fiscal years 2015-16 through 2019-20.

ARVIN UNION SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation (TRA 54-017)[(1)]
Fiscal Years 2015-16 Through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Kern County Water Agency	.029725	.031521	.039039	.036028	.040820
Arvin Union School District	.042807	.061749	.058193	.056113	.076086
Kern High School District	.032389	.025969	.053319	.051182	.053189
Kern Community College District SFID No. 1	–	–	.021837	.021330	.018785
Kern Community College District SRID	.013571	.013180	.014412	.012338	.014243
Total	1.118492%	1.132419%	1.186800%	1.176991%	1.203123%

(1) 2019-20 assessed valuation of TRA 54-017 is $78,263,909, which is 5.17% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

Certain Existing Obligations

On March 2, 2004, an election was held at which more than fifty-five percent of the voters of the District approved general obligation bonds, which authorized the issuance and sale of $11 million in general obligation bonds (the "2004 Authorization"). In 2004, the District issued its General Obligation Bonds, Election of 2004, Series 2004A in the initial aggregate amount of $5,059,348.30. In 2008, the District issued its General Obligation Bonds, Election of 2004, Series 2008 in the aggregate initial amount of $5,059,874.20. Of the 2004 Authorization, $880,777.50 remains unissued. Bonds issued under the 2004 Authorization are payable on a parity with the Bonds.

On November 4, 2014, an election was held at which more than fifty-five percent of the voters of the District approved general obligation bonds, which authorized the issuance and sale of $15 million in general obligation bonds (the "2014 Authorization"). In 2015, the District issued its (i) General Obligation Bonds, Election of 2014, Series 2015A in an aggregate principal amount of $3,115,000 and (ii) General Obligation Refunding Bonds, Series 2015A in an aggregate principal amount of $3,860,000.

In 2017, the District issued its General Obligation Bonds, Election of 2014, Series 2017B in an aggregate principal amount of $3,500,000.

On November 6, 2018, an election was held at which more than fifty-five percent of the voters of the District approved general obligation bonds, which authorized the issuance and sale of $15 million in general obligation bonds (the "2018 Authorization"). In March 2019, the District issued its General Obligation Bonds, Election of 2018, Series 2019A in an aggregate principal amount of $3,385,000.

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
General obligation bonds	$14,754,223	$ –	$ 560,000	$14,194,223
Accreted interest	3,058,788	462,705	–	3,521,493
Other Postemployment benefits	23,688,090	1,704,473	867,072	24,525,491
Compensated absences	299,546	–	43,103	256,443
Early retirement incentive				
STRS	338,060	144,546	91,761	390,845
PERS	66,403	–	28,352	38,051
PARS	32,238	–	16,119	16,119
Other	–	–	–	–
Net pension liability	28,955,446	5,715,472	–	34,670,918
Capital Leases Payable	2,084,742	–	303,543	1,781,199
Contract payable	747,029	–	369,967	377,062
Totals	$74,024,565	$8,027,196	$2,279,917	$79,771,844

Source: The District.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt (the "Debt Report"). The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. Inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of November 1, 2019:

ARVIN UNION SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2019-20 Assessed Valuation: $1,514,676,663

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/19
Kern Community College District Safety, Repair and Improvement District	1.644%	$ 1,937,225
Kern Community College District School Facilities Improvement District No. 1	1.634	1,232,526
Kern High School District	2.565	7,006,329
Arvin Union School District	**100.**	**16,079,222**[1]
Tehachapi Valley Healthcare District	0.063	36,628
Kern Delta Water District	0.051	102
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$26,292,032
OVERLAPPING GENERAL FUND DEBT:		
Kern County Certificates of Participation	1.585%	$ 1,374,200
Kern County Pension Obligation Bonds	1.585	2,850,804
Kern County Board of Education Certificates of Participation	1.585	572,423
Kern County Joint Community College District Certificates of Participation	1.376[2]	396,632
Kern County Joint Community College District Benefit Obligation Bonds	1.376[2]	1,056,149
Kern High School District Certificates of Participation	2.565	2,135,619
City of Arvin General Fund Obligations	100.	4,475,000
Tehachapi Valley Recreation and Park District General Fund Obligations	0.137	674
TOTAL OVERLAPPING GENERAL FUND DEBT		$12,861,501
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$ 7,000,000
COMBINED TOTAL DEBT		$46,153,533[3]

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($16,079,222)..1.06%
Total Direct and Overlapping Tax and Assessment Debt..................1.74%
Combined Total Debt 3.05%

Ratio to Redevelopment Incremental Valuation ($142,810,820):
Total Overlapping Tax Increment Debt..4.90%

(1) Excludes issue to be sold.
(2) 2018-19 ratio.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent (1%) of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the State Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent (1%) property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Prospective purchasers of the Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Bonds in full.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

Assembly Bill 454 (Chapter 921, Statutes of 1986) ("AB 454") provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property") are allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The State electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "Funding of School Districts in California" in Appendix A hereto.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" ("Proposition 39") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the one percent (1%) *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 98

On November 8, 1988, voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 guarantees K-14 schools a minimum share of the State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in the State per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend this minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. The Legislature has suspended payment on a number of occasions since voters approved Proposition 98.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools, with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Propositions 1A and 22

Proposition 1A (SCA 4), proposed by the State Legislature in connection with the 2004-05 State budget and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in fiscal year 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in fiscal year 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted fiscal year 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's General Fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State Budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue. The District does not expect to have any of its property tax payments deferred as a result of the dissolution of area redevelopment agencies.

Proposition 30 and Proposition 55

The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012, resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raises taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately one percent of California personal income tax filers and originally were to be in effect until the conclusion of the 2018 tax year. On November 8, 2016, voters approved Proposition 55, which extended the temporary tax increases created by Proposition 30 through the 2030 tax year. The State Office of Legislative Analyst (the "LAO") estimated that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from fiscal years 2012-13 through 2016-17 would be received by the State, with lesser amounts of additional revenue available in fiscal years 2017-18 and later. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Proposition 30 provides additional tax revenues aimed at balancing the State's budget to help fund existing State programs, end K-14 education payment delays and pay other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the fact that the majority of the additional revenue comes from personal income tax rate increases on upper-income taxpayers. The fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

Revenues generated from this tax increase are included in the calculation of the Proposition 98 minimum funding guarantee for school and community college districts and are deposited into the Education Protection Account created pursuant to Proposition 30 (the "EPA"). See "—Proposition 98" herein. Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with approximately 89% of such funds provided to school districts and approximately 11% to community college districts, which are then distributed to districts in the same manner as existing unrestricted per-student funding. However, no school district shall receive less than $200 per unit of Average Daily Attendance (the "ADA") and no community college district shall receive less than $100 per full-time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how moneys received from the EPA are spent, provided that governing boards may not use any of such funds for salaries or benefits for administrators or any other administrative costs.

The District cannot predict the effect that the loss of revenues generated from the Proposition tax increase may have on total State revenues or the effect on the Proposition 98 formula for funding schools, should the tax not be further extended.

Proposition 2

On November 4, 2014, voters approved Proposition 2, also referred to as the "Rainy Day Budget Stabilization Fund Act." Proposition 2 changed the State's existing requirements for the Budget Stabilization Account ("BSA") and establishes a Public School System Stabilization Account ("PSSSA").

Proposition 2 limits the ability of the Governor to suspend or reduce transfers to the BSA. Specifically, the Governor would have to declare a "budget emergency," defined in Article XIIB of the State Constitution or determine that there are insufficient resources to maintain general fund expenditures for the current year, at the highest level of spending in the three most recent fiscal years. Any such declaration must be followed by a legislative bill passed by a majority vote of each house.

Proposition 2 also requires the State Controller to deposit annually 1.5% of general fund revenues and an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of general fund revenues. Deposits to the BSA are expected to begin no later than October 1, 2015, and such deposits will be made until the BSA balance reaches an amount equal to 10% of general fund revenues. Additionally, from 2015-16 to 2029-30, half of any required transfers to the BSA must be allocated to reduce certain state liabilities, such as unfunded state-level pension plans and making certain payments owed to K-14 school districts.

The PSSSA will be funded by the capital gains-related tax revenues in excess of 8% of general fund revenues. The State may deposit amounts into the PSSSA only after certain conditions are met, including the payment of all amounts owing to school districts under the Proposition 98 maintenance factor and the existence of a "Test 1" year under Proposition 98.

Proposition 51

At the November 8, 2016 Election, voters in the State approved the California Public School Facility Bonds Initiative, ("Proposition 51"). Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds to fund the construction and modernization of school facilities for both community colleges and K-12 schools within the state.

Specifically, the $9 billion will be stored between a State School Facilities Fund and a California Community College Capital Outlay Bond Fund. The funds can then be used to allocate bond revenue in the following manner:

- $3 billion for construction of new K-12 school district facilities;
- Another $3 billion for the modernization of K-12 public school sites, which includes repairs to outdated facilities to increase earthquake and fire safety, removing asbestos, technology upgrades and other health and safety improvements;

- $500 million for various charter school facilities;
- $500 million for career technical education facilities;
- $2 billion for California community college facility construction and modernization.

The State issues general obligation bonds for facility projects. Typically, K-12 schools can submit proposals for such projects to the State Office of Public School Construction for both modernization and new construction. If the project is approved, the school district will receive State grant funding and in turn the school district must contribute local funding to such projects. If sufficient local funding is unavailable, the school district may potentially receive the full project cost via State grant funding. Career technical education and charter school facilities face a similar approval process. Community college districts, on the other hand, must submit requests for facility projects to the Chancellor of the community college system. Selected projects are eventually approved and funded as part of the annual State budget. A scoring system is used to determine the State and local contributions for these community college sites.

The impact that Proposition 51 will have on school district behavior is unclear. Some school districts may spend less local funds given the greater support of state funding. However, school districts may decide to spend more local funds by proposing an increased number of facility projects with the knowledge that additional state funding could be available. It is also possible that school districts make no changes to their number of proposals for construction and modernization projects. The District is waiting to receive a State match reimbursement for two projects under Proposition 51 which were completed in prior years. Additionally, the District has an additional project under review for approval.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the State Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue under Proposition 46 or a Mello-Roos Community Facilities District bond issue in the future, which have special Constitutional authority or are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218, a more elaborate notice and balloting process and other requirements. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 46 and 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

THE KERN COUNTY TREASURY POOL

The following information concerning the Kern County Treasury Pool (the "Investment Pool" or "Pool") has been provided by the Treasurer and has not been confirmed or verified by the District or the Original Purchaser. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. ***Amounts held in the District's name in the Pool are not pledged to the payment of debt service on the Bonds.***

Under the California Education Code, the District is required to pay all moneys received from any source into the County of Kern Treasury to be held on behalf of the District. The Pool consists of monies deposited with the Treasurer by County departments and agencies, school districts, certain non-County governmental agencies and special assessment districts. Most of the Pool's depositors are required by State law to invest their excess moneys in the Pool.

Each depositor is assigned a distinct fund number within the Investment Pool. Cash represented by the fund balances is commingled in a Pooled Cash Portfolio for investment purposes; no funds are segregated for separate investment. Investments are selected from those authorized by California Government Code Section 53635. Authorized investments include obligations of the United States Treasury, agencies of the United States government, federally sponsored enterprises, local and State bond issues, bankers acceptances, commercial paper of prime quality, collateralized and negotiable certificates of deposit, repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities.

Each calendar year, the Treasurer prepares an Annual Statement of Investment Policy (the "Investment Policy") that sets the framework for the investment practices relating to the County treasury. Legislation enacted in 1996 and effective January 1, 1997, requires that the Investment Policy be filed and approved by the Board in open session. Additionally, the Board must determine whether to delegate investment authority to the Treasurer each year. Failure to so delegate transfers investment responsibility to the Board itself. The Board of Supervisors approved the current Investment Policy as presented by the Treasurer and delegated investment responsibility to the Treasurer on December 4, 2018. Having been so approved, the Investment Policy may not be changed without Board approval.

The approved Investment Policy provides that the County's investment objectives are "safety and liquidity of all investments within the County investment pool, while obtaining a reasonable return within established investment guidelines." The Investment Policy provides that no more than 6% of the assets in the Pool can be invested in the securities of any single issuer other than the United States Treasury and agencies of the United States government. Investments in reverse repurchase agreements are limited to 10% of the total Pool and must always be matched in maturity to the reinvestment. Additionally, no investment will be made in any security whose coupon rate varies inversely with general credit market rates.

In accordance with California law, the Kern County Board of Supervisors created an eleven-member Treasury Oversight Committee (the "TOC") on April 2, 1996. The statutory role of the TOC is to review the Investment Policy as prepared by the Treasurer and make recommendations to the Board, to monitor policy compliance as well as investment performance and to cause an annual independent audit to be performed. The TOC meets semi-annually to accomplish its tasks.

The following tables present information with respect to the Pool as of October 31, 2019. As described above, a wide range of investments is authorized under State law and the Investment Policy. Therefore, there can be no assurance that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of various investments in the Pool will fluctuate on a daily basis as a result of several factors, including generally prevailing interest rates and other economic conditions. For further information concerning County investments, access the County's website: http://www.kcttc.co.kern.ca.us.

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The following table identifies the types of securities held by the Pool as of October 31, 2019.

KERN COUNTY TREASURER – TAX COLLECTOR
Pooled Cash Portfolio Report
(as of October 31, 2019 – amounts in 1,000's)

Asset	Par Amount	Original Cost	Market Value	Original Yield	Percent of Total Assets	Policy Limit Rating	Days to Maturity
Local Agency Investment Fund	$62,309,665	$62,309,665	$62,309,665	2.16%	2.00%	$65 Million	1
California Asset Management Program	189,547,917	189,547,917	189,547,917	2.00	6.09	10%	1
CalTRUST	413,606	413,606	413,606	1.88	0.01	10%	1
U.S. Treasuries	461,000,000	456,487,891	462,915,280	2.03	14.87	100%	608
Federal Agencies	1,164,617,000	1,165,600,154	1,176,665,705	2.04	37.79	75%	659
Municipal Bonds	62,000,000	62,748,290	63,780,950	2.51	2.05	10%	1,072
Supranationals	141,175,000	142,434,688	144,007,884	2.03	4.62	10%	809
Negotiable CDs	175,000,000	175,000,000	175,150,578	2.36	5.62	30%	113
Commercial Paper	100,000,000	98,659,653	99,151,522	2.14	3.18	40%	161
Corporate Notes	675,239,000	674,750,839	687,151,043	2.50	22.07	30%	905
Total Securities	$3,031,302,188	$3,027,952,702	$3,061,094,148	2.17%	98.30%	-	619
Total Cash	$52,843,866	$52,843,866	$52,843,866	-	1.70%	-	-
Total Assets	$3,084,146,054	$3,080,796,569	$3,113,938,015	-	100.00%	-	-

Source: Kern County Treasurer.

None of the District, the Municipal Advisor or the Original Purchaser has made an independent investigation of the investments in the Pool nor have they made any assessment of the current County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

LEGAL OPINION

The legal opinion of Nixon Peabody LLP, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. The form of legal opinion that will be delivered with the Bonds is attached hereto as APPENDIX B. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than California.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are "Premium Bonds." An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as APPENDIX B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $552.8 million, $130.8 million and $422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Undertaking (the

"Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Original Purchaser in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the 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, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "THE KERN COUNTY TREASURY POOL" herein. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of State school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted under State law to the repayment of the Bonds, the District believes that those taxes are "special revenues" as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal of and interest to owners of the Bonds likely would continue under 11 U.S.C. §922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the bondholders. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues), or to enforce any obligation of the District, without the bankruptcy court's permission. It is also possible that the bankruptcy court may not enforce the state law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the "Plan") in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien,

(b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the 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, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "THE KERN COUNTY TREASURY POOL" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

LEGALITY FOR INVESTMENT

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

RATINGS

The Bonds are expected to be assigned a rating of "AA/stable" from S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), based upon the issuance of the Policy by BAM. S&P has assigned an underlying municipal bond rating of "A" to the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. The District furnished such ratings agencies with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. The District has not undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of a rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive ad valorem taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

The District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

UNDERWRITING

Robert W. Baird & Co., Inc., as Original Purchaser (the "Original Purchaser"), has agreed to purchase the Bonds from the District at the purchase price of $4,292,144.25 (being the initial principal issue amount of the Bonds, plus net original issue premium of $246,362.80 and less an underwriter's discount of $54,218.55), at the rates and yields shown on the inside cover hereof.

The Original Purchaser intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Original Purchaser may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Original Purchaser.

BANK QUALIFIED

The District has not issued, and does not expect to issue, any tax-exempt obligations in the calendar year commencing January 1, 2019, that exceed the aggregate of $10,000,000. On the basis of this expectation, the District has designated the Bonds as qualified tax-exempt obligations under and for the purposes of Section 265(b)(3) of the Code.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Fieldman, Rolapp & Associates, Inc. in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District and the Resolution may be obtained by contacting: Arvin Union School District, 737 Bear Mountain Boulevard, Arvin, California 93203, Attention: Superintendent. The District may impose a fee for copying, shipping and handling.

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

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

ARVIN UNION SCHOOL DISTRICT

By: /s/ Georgia Rhett
Superintendent

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APPENDIX A

THE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Arvin Union School District (the "District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem *property tax revenues collected by the County of Kern (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the District. The Bonds are and will continue to be payable solely from* ad valorem *taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."*

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem *property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the "State') or any of its other political subdivisions or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.*

District General Information

The District was established in 1913 and is comprised of an area of approximately 270 square miles located in the County. The District serves students from kindergarten through grade eight. The District operates three K-6 elementary schools and one middle school. The District's average daily attendance for fiscal year 2018-19 was 2,978 and the District has a fiscal year 2019-20 assessed valuation of $1,514,676,663. The District projects an average daily attendance for fiscal year 2019-20 of 2,980.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Superintendent, Arvin Union School District, 737 Bear Mountain Boulevard, Arvin, California 93203.

District Organization

The District is governed by a Board of Trustees (the "Governing Board") consisting of five members. Members are elected to four-year terms in alternate slates of two and three. Elections are held every two years. Current members of the Governing Board, together with their offices and the dates their terms expire, are listed below:

ARVIN UNION SCHOOL DISTRICT
BOARD OF TRUSTEES

Name	Office	Term Expires
Toni Pichardo	President	December 2022
Monica Franetovich	Clerk	December 2020
Liliana Nuñez	Member	November 2020
Ruth Harris	Member	December 2020
Geri Rivera	Member	December 2022

Key Personnel

The following is a listing of the key administrative personnel of the District:

Name	Title
Georgia Rhett	Superintendent
Chris Davis	Chief Business Officer

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Governing Board.

Brief biographies of the Superintendent and the Chief Business Officer follow:

Georgia Rhett, Superintendent. Mrs. Rhett has been with the Arvin Union School District since August of 1988. Since that time, she has held multiple positions including classroom teacher, resource teacher, Vice Principal, Principal, Assistant Superintendent, and the current position of Superintendent since September of 2018. Mrs. Rhett graduated with her Bachelor's Degree in Education from Eastern Washington University in 1988. She attained a Master's in Education with a focus on Bilingual/Bicultural Education from California State University Bakersfield and a Master's in Educational Administration from the University of LaVerne-Bakersfield. Additional administrative certification was earned through Fresno Pacific University-Bakersfield.

Chris Davis, Chief Business Officer. Mr. Davis has been with the Arvin Union School District since May of 2008. Prior to his work with Arvin, he worked for the Kern County Superintendent of Schools ("KCSOS"), in the District Advisory department. Additionally, he was also a substitute teacher while completing his bachelor's degree. Chris graduated with his bachelor's degree in Business Administration from California State University, Bakersfield ("CSUB") in 2005 and his Master's degree in Administration from CSUB in 2010. In 2007, Chris completed a yearlong Chief Business Official training program administered by CSUB and KCSOS, using the State-adopted curriculum.

Changes in District Enrollment

The table below sets forth the enrollment for Average Daily Attendance ("ADA") for the District for fiscal years 2013-14 through 2018-19 and projections for fiscal year 2019-20 through fiscal year 2021-22.

ARVIN UNION SCHOOL DISTRICT
TOTAL AVERAGE DAILY ATTENDANCE

Fiscal Year	Average Daily Attendance[1]
2013-14	3,037
2014-15	2,995
2015-16	2,981
2016-17	2,928
2017-18	2,958
2018-19[2]	2,978
2019-20[3]	2,980
2020-21[3]	2,984
2021-22[3]	2,988

[1] ADA has generally decreased slightly from 2013 to 2018, in part due to a charter school opening. The District expects ADA to remain at current levels because the charter school had reached capacity in 2016.

[2] Estimated.

[3] Projected.

Source: The District.

District Employees

As of October 1, 2019, the District employed 189 full-time equivalent certificated academic professionals as well as 68 full-time equivalent classified employees. In addition, as of such date, the District employed 125 part-time employees. The certificated employees of the District have assigned the California Teachers Association ("CTA") as their exclusive bargaining agent. The certificated employees' contract with CTA expires on June 30, 2020. The classified employees have assigned California School Employees Association ("CSEA") as their exclusive bargaining agent. The classified employees contract with CSEA expires on June 30, 2021.

Pension Plans

The District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated employees. The District's employer contribution to STRS was $2,162,700.17 for fiscal year 2017-18, $2,511,224.54 for fiscal year 2018-19, and is projected to be $2,942,026.65 for fiscal year 2019-20.

The District also participates in the State Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's employer contribution to PERS was $799,567.54 for fiscal year 2017-18, $1,055,497.14 in fiscal year 2018-19, and is projected to be $1,091,856.72 for fiscal year 2019-20.

The information set forth below regarding STRS and PERS has been obtained from publicly available sources and has not been independently verified by the District, the Original Purchaser or the Municipal Advisor, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Original Purchaser or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities.

Both PERS and STRS are operated on a statewide basis. The PERS and STRS defined benefit programs are funded through a combination of investment earnings and contributions by members, employees and the State. Both PERS and STRS have substantial State unfunded actuarial liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Unlike typical defined benefit programs, prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS increased significantly. The District is unable to predict what the STRS program liabilities will be in the future.

In order to address STRS funding inadequacies, the 2014-15 State Budget set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities were approximately $275 million. The contributions would increase in subsequent years, reaching more than $5 billion annually. Then Governor Brown expected that this will eliminate the unfunded liability in approximately 30 years. The 2018-19 State Budget included $3.1 billion for state contributions to STRS, which reflects action by the STRS board to increase state contributions by 0.5% of teacher payroll. The 2019-20 State Budget includes approximately $3.3 billion for State contributions to STRS.

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STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS

Name of Plan	Market Value of Assets	Actuarial Value of Assets(3)	Actuarial Obligation	Unfunded Actuarial Accrued Liability	Funded Ratio (Market Value)	Funded Ratio (Actuarial Value)
Public Employees' Retirement Fund Schools Pool (PERS)(1)	$64.846 billion	—	$92.071 billion	$27.225 billion	70.4%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS)(2)	$211.367 billion	$190.451 billion	$297.603 billion	$107.152 billion	65.7%	64.0%

Figures as of June 30, 2018.
(1) As of June 30, 2018, the PERS provided pension benefits to 1,264,318 active and inactive program members and 694,570 retirees, beneficiaries, and survivors.
(2) As of June 30, 2018, the STRS Defined Benefit Program had approximately 647,653 active and inactive program members and 301,859 retirees and benefit recipients.
(3) PERS no longer uses an actuarial value of assets and only uses the market value of assets.
Source: PERS State and Schools Actuarial Valuation, STRS Defined Benefit Program Actuarial Valuation, PERS Comprehensive Annual Financial Report 2017-18 and STRS Comprehensive Annual Financial Report 2017-18.

California State Teachers' Retirement System. STRS is a defined benefit program and member benefits are determined pursuant to the Education Code and are generally determined based on a member's age, final compensation and years of credited service. As a result of the California Public Employees' Pension Reform Act of 2013 (Chapter 296, Statutes of 2012), there are two benefit structures for members that apply according to the members' first date of hire to perform STRS creditable activities. Members first hired on or before December 31, 2012 are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to $400 per month. Members first hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Additional benefits under both benefit structures include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit.

Prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, the combined employer, employee and State contributions to STRS were not sufficient to pay actuarially required amounts. Assembly Bill 1469 ("A.B. 1469"), enacted in connection with the adoption of the 2014-15 State budget authorizes shared contribution increases among the program's three contributors – STRS members, employers and the State. Defined Benefit Program contribution rate increases for all contributing parties will be incrementally phased-in over the next several years, with the first increases having taken effect July 1, 2014. The rate increases authorized by A.B. 1469 are projected to fund the STRS Defined Benefit Program fully in 32 years.

Employer contribution rates, including those of the District, will increase through fiscal year 2020-21 as shown in the following table. Beginning fiscal year 2021-22, employer contribution rates will be set each year by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

		AB 1469 Increases	
Effective Date	**Prior Rate**	**Increase**	**Total**
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25	8.03	16.28
July 1, 2019	8.25	8.85	17.10
July 1, 2020	8.25	10.15	18.40

The State contributions are set pursuant to the Education Code. As of July 1, 2019 the State will contribute 7.828% of members' annual earnings to the defined benefit plan. The employee contribution rate for STRS members first hired on or before December 31, 2012 to perform STRS creditable activities (i.e., STRS 2% at 60 members) is 10.25% for fiscal year 2019-20. The employee contribution rate for STRS members first hired on or after January 1, 2013 to perform STRS creditable activities (i.e., STRS 2% at 62 members) is 10.205% for fiscal year 2019-20.

The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the defined benefit plan. STRS actuarial consultant determines the actuarial value of the defined benefit plan's assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

In February 2017, the State Teacher's Retirement Board voted to revise the actuarial methods and assumptions beginning with the STRS Defined Benefit Program for fiscal year 2016. The actuarial assumptions set forth in the 2016 STRS actuarial valuation use a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% wage growth, and 2.75% inflation. The STRS unfunded liability will vary based on actuarial assumptions, actual returns on investments and contribution rates.

The Defined Benefit Program of the California State Teachers' Retirement System, June 30, 2018 Actuarial Valuation (the "2018 STRS Actuarial Valuation") states that for fiscal year 2017-18 the funded ratio increased by 1.4% over the previous year, mainly due to the return on the Actuarial Value of Assets (8.3%) that exceeded the assumed return (7.0%). However, the funded ratio as a whole has decreased by approximately 23% over the past 10 years primarily due to a combination of returns that have, on a smoothed basis, been less than the actuarial assumption, contributions less than the actuarially calculated amount, and changes in the actuarial assumptions that have increased the Actuarial Obligation. The alternate funded ratio using the Fair Market Value of assets has increased since the last valuation. This increase is due to the greater than expected return on assets during the 2017-18 fiscal year.

California Public Employees' Retirement System. PERS is a defined benefit program and member benefits are determined pursuant to the Public Employees' Retirement Law and are generally determined based on a member's age, final compensation and years of credited service.

Member contribution rates are determined by the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by statute. For fiscal year 2019-20, the employee contribution rate for classic plan members is 7.0% of monthly salary and the estimated employee contribution rate for PEPRA members is 7.0% of monthly salary. The employer contribution rate increased from 18.062% of covered payroll for fiscal year 2018-19 to 20.733% of covered payroll for fiscal year 2019-20.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2014 actuarial valuations. These valuations were performed in early 2015 and set employer contribution rates for the fiscal year 2015-16.

The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of PERS. At its December 21, 2016 meeting, the PERS Board of Administration approved a discount rate assumption decrease from its current rate of 7.50% to 7.00% over the next three years. For the School Pool, the discount rate was lowered for the first time to 7.375% effective with the June 30, 2017 actuarial valuation (the "2017 PERS Schools Pool Actuarial Valuation"), impacting the Schools Pool employer contribution rates beginning in fiscal year 2018-19. The discount rate was lowered further to 7.25% for the June 30, 2018 actuarial valuation, and will be lowered again to 7.00% for the June 30, 2019 actuarial valuation. Lowering the discount rate will result in increases in both the normal cost and the accrued liabilities which will result in higher required employer contributions. The District cannot predict how these changes will affect its contribution levels.

On December 20, 2017, the PERS Board of Administration adopted new actuarial demographic assumptions to update various assumptions including mortality, retirement rates and inflation. These new assumptions were applied beginning with the June 30, 2018 valuation for the schools pool, setting employer contribution rates for fiscal year 2019-20. As a result, the June 30, 2018 actuarial valuation assumes a reduced inflation rate of 2.625% per year and reduced payroll growth of 2.875% per year. The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 PERS Actuarial Valuation") is the "Individual Entry Age Normal Cost Method." The PERS Schools Pool Actuarial Valuation as of June 30, 2018 assumes, among other things, a 7.25% discount rate, projected 2.625% inflation per year, and projected payroll growth of 2.875% per year. The prescribed discount rate will reduce to 7.00% per year, projected 2.50% inflation per year, and projected payroll growth of 2.75% per year as of the June 30, 2019 actuarial valuation. At its February 12, 2018 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization policy once again. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019 actuarial valuations.

On April 17, 2019, subsequent to the release of the 2017 PERS Schools Pool Actuarial Valuation, the PERS Board adopted updated projections for future employer contribution rates of 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24, respectively. The PERS Board did not adjust the employer contribution rate for Fiscal Year 2019-20.

On June 27, 2019, PERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to PERS included in the 2019-20 State Budget. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA - State Assistance – 2019-20 State Budget" herein.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from www.calstrs.com or by written request mailed to STRS, P.O. Box 15275, Sacramento, California 95851-0275, and copies of the PERS annual financial report may be obtained from www.calpers.ca.gov or by written request mailed to the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in those reports is not incorporated by reference in this Official Statement.

The District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX C for additional information concerning STRS and PERS contained in the notes to said financial statements.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), amending various sections of the California Education and Government Codes. AB 340 (i) increased the retirement age for new State, school, and city and local agency employees depending on job function, (ii) capped the annual PERS and STRS pension benefit payouts, (iii) addressed abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, had a five-year window to negotiate compliance with AB 340 through collective bargaining. A city, public agency or school district could require employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, members will pay the greater of either (1) at least 50 percent of the cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.

Other Post-Employment Benefits ("OPEB")

In June 2004, the GASB pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") became effective for the District for fiscal year 2008-09.

GASB Statement Nos. 74 and 75. In June 2015, the GASB approved Statement No. 74 ("GASB 74"), Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, and Statement No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The pronouncements make substantial changes to GASB 45, including changes to the way other postemployment benefits are measured and reported. The new pronouncements require recognition of a liability equal to the total OPEB liability on the full-accrual financial statements. GASB 45 allowed recognition over a period not-to-exceed 30 years. GASB 74 and GASB 75 require that most changes in net OPEB liability be included in OPEB expense in the period of change. Overall, basic accounting and reporting will be similar to pensions under GASB 67 and GASB 68.

GASB 45 explicitly incorporates Actuarial Standards of Practice ("ASOPs"). There was a recent change to ASOPs No. 6 ("ASOP 6") requiring reflection of "implicit subsidies" in OPEB costs and projections. "Implicit subsidies" refers to an indirect cost sharing feature of OPEB plans. Using unadjusted flat-rate premiums as a cost basis for accounting was previously acceptable under GASB 45 when the health plans are considered "community-rated." Community-rated plans have premium levels determined without adjustment for the demographics of an individual employer buying coverage. Although these subsidies were previously allowed to be excluded, the changes to ASOP 6 eliminated the community-rated exemption. As a result, the District began to reflect these implicit subsidies in its OPEB liability accounting.

Plan Description for Classified Employees. The District currently provides retiree and dependent medical coverage to eligible classified employees. Persons employed before July 1, 1991, are eligible to receive benefits if they retire between the age of 50 and 65 with five years or more service. Persons employed after July 1, 1991, are eligible to receive benefits if they retire between the age of 55 and 65 with ten years or more service. Persons employed after July 1, 1999, are eligible to receive benefits if they retire between the age of 55 and 65 with fifteen years or more service.

Persons who meet the above eligibility requirements receive medical, dental and vision insurance until they reach the age of 65. The eligible employees' spouse and eligible dependents are also covered for the same period. Persons employed prior to July 1, 1997, receive medical and prescription coverage until the age of 75, if the retiree is enrolled in Medicare. Retirees in this group may receive dental and vision insurance if they pay the premiums.

Classified persons retiring with less than 15 years of service are not eligible to receive medical benefits on a self-pay basis. A person retiring with 15 years or more service is eligible to receive medical benefits up to $18,922.80 for fiscal year 2019-20 (the maximum for most employees was $17,946.00 for fiscal year 2018-19). Currently, 30 employees meet those eligibility requirements.

Retirees' coverage ends the date the plan terminates or the date the retiree terminates coverage. In the instance of self-paid and partial paid retiree benefits, the coverage will be terminated when payment is 90 days past due. Dependent coverage terminates the date he/she ceases to be a dependent.

Plan Description for Certified Employees. The District currently provides retiree and dependent medical coverage to eligible certified employees. Persons employed prior to July 1, 1993, who have attained the age of 55 and have served as a regular certificated employee in the District for at least seven and one-half consecutive years may receive medical, dental, and vision insurance on the same basis as regular employees. Persons employed after July 1, 1993, who have attained the age of 55 and have served as regular certificated employees in the District for at least fifteen consecutive years may receive medical, dental and vision insurance on the same basis as regular employees.

Persons retiring with less than 15 years of service are not eligible to receive medical benefits on a self-pay basis. A person retiring with 15 years or more service is eligible to receive medical benefits up to $18,536.40 for fiscal year 2019-20 (the maximum for most employees was $17,580.00 for fiscal year 2018 19). Currently, 54 employees meet those eligibility requirements.

For employees whose first paid date of contract services was on or after July 1, 1993, and who subsequently qualify for the foregoing age of 55 and 15 year retiree service benefit, the District will pay its portion of the insurance premium until the retiree reaches age 65. After age 65, such retirees may continue coverage at their own expense.

Retirees' coverage ends the date the plan terminates or the date the retiree terminates coverage. In the instance of self-paid and partial paid retiree benefits, the coverage will be terminated when payment is 90 days past due. Dependent coverage terminates the date he/she ceases to be a dependent.

Funding Policy. The District currently finances benefits on a pay-as-you-go basis for health premiums. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year 2016-17, the District contributed $722,864 for premiums and $867,072.41 for fiscal year 2017-18. The District contributed $938,838.40 for fiscal year 2018-19 for health premiums.

The District has transferred $4,384,477.07 (cash balance as of June 30, 2019) to a special reserve fund to fund its outstanding liability with respect to its post-employment benefits. This fund has not been irrevocably pledged towards the District's liability, however, and may be accessed by the District upon Board action.

For additional information about the District's Plan, as well as information regarding a previous actuarial valuation, see District's financial statements attached hereto as APPENDIX C. A copy of the latest actuarial valuation is available upon request from the District at the address listed on the first page of the forepart of this Official Statement. The District may impose a charge for copying, handling and mailing such requested documents.

GASB 67 and 68

On June 25, 2012, GASB voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans, revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement 67 became effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 became effective for fiscal years beginning after June 15, 2014.

Insurance

The District participates in joint powers agreements (the "JPAs") for insurance programs with Self Insured Schools of California I, II, and III ("SISC"). The JPAs provide property and liability insurance coverage, health and welfare benefits, and workers compensation insurance coverage. The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

District Revenues

The District's general operating fund (the "General Fund") is used to account for the day-to-day operations of the District. The General Fund is divided into two sections: unrestricted and restricted. Unrestricted revenue may be spent at the District's discretion. Restricted funds are moneys that can only be used for the purposes allowed by the funding agency.

Other state Revenues, or categorical funds, consist primarily of restricted revenues that fund specific items, such as new curriculum and technology, special education programs, instructional materials, and mentor teachers.

State Lottery. The District receives a portion of the State Lottery (the "Lottery") revenues. Lottery revenues allocated to the District must be used for the education of students and cannot be used for non-instructional purposes, such as real property acquisition, facility construction, or the financing of research. Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per ADA or full time equivalent ("FTE"). This figure is derived by dividing the total net revenues figures by the total ADA for grades K-12 and by the total FTE for the community colleges, University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTE figure. The Lottery revenues in fiscal year 2017-18 were $653,299.31, $794,757.96 in fiscal year 2018-19, and are projected to be $660,000 in fiscal year 2019-20.

Developer Fees

The District maintains a fund separate and apart from its General Fund to account for developer fees collected by the District. Residential development is assessed a fee per square foot and the District collects a portion of that assessment. The following table sets forth the developer fees collected during fiscal years 2013-14 through 2018-19, and the projected developer fees to be collected during fiscal year 2019-20.

ARVIN UNION SCHOOL DISTRICT
Developer Fees
Fiscal Years 2013-14 through 2019-20

Fiscal Year	Developer Fees Collected
2013-14	$599,297.45
2014-15	925,968.15
2015-16	1,649,911.18
2016-17	334,383.14
2017-18	1,597,272.78
2018-19(1)	703,303.69
2019-20(2)	580,453.30

(1) Estimated.
(2) Projected.
Source: The District.

Financial Statements of the District

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The following table contains accounting data abstracted from financial statements prepared by the District's independent auditors for the fiscal years ended June 30, 2015, 2016, 2017, and 2018, as well as unaudited actuals for fiscal year ended June 30, 2019. Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. For the District's most recent available audited financial statements, see APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18."

The following information, concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from ad valorem property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for *ad valorem* property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the State Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds, must be deposited into the debt service fund of the District maintained within the County Treasury Pool. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2015 THROUGH JUNE 30, 2019 (1)(2)

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Unaudited Actuals 2018-19
Revenues				
LCFF Sources	$27,980,396	$29,984,947	$30,609,814	$33,557,184
Federal Sources	3,374,792	3,280,113	3,731,784	3,826,956
Other State Sources	3,945,129	4,683,192	3,433,727	2,115,603
Other Local Sources	2,133,227	643,344	1,860,382	2,012,394
Total Revenues	$37,433,544	$38,591,596	39,635,707	$41,512,137
Expenditures				
Current				
Instruction	$21,342,244	$20,815,523	$22,453,060	$23,022,191
Instruction-related Activities		5,616,280	5,409,240	5,293,578
Supervision of instruction	1,475,902	-	-	-
Instructional library, media and technology	1,080,491	-	-	-
School site administration	1,828,118	-	-	-
Pupil Services		2,594,891	2,915,006	3,429,930
Home-to-school transportation	258,820	-	-	-
Food services	17,160	-	-	-
All other pupil services	1,877,963	-	-	-
Administration		2,609,059	2,201,229	2,136,808
Data processing	39	-	-	-
All other general administration	2,173,170	-	-	-
Plant services	4,085,649	4,262,051	3,956,278	4,982,114
Facilities acquisition and construction	535,171	–	–	–
Other outgo	1,196,023	1,145,442	957,034	1,799,247
Community services	489,004	489,443	526,394	462,931
Ancillary services	60,702	27,425	47,980	50,233
Capital Outlay	–	1,755,797	939,512	-
Debt service				
Principal	356,173	290,393	673,510	-
Interest and other	28,121	55,578	63,110	-
Total Expenditures	$36,804,750	$39,661,882	$40,142,353	$41,177,032
Excess (Deficiency) of Revenues Over Expenditures	$ 628,794	$ (1,070,286)	$ (506,646)	$ 335,105
OTHER FINANCING SOURCES (Uses)				
Other sources	–	–	–	$ (500,000)
NET CHANGE IN FUND BALANCES	$ 628,794	$ (1,070,286)	$ (506,646)	$ (179,833)
Fund Balances – Beginning	$ 7,725,404	$ 8,354,198	$7,283,912	$ 7,556,133
Fund Balances – Ending	$ 8,354,198	$ 7,283,912	$6,777,266	$ 7,891,249

(1) Totals may not add due to rounding.
(2) This table reflects four funds combined and maintained by the District: The General Fund (Fund 01), the Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other Than Capital Outlay (Fund 17) and the Special Reserve for Postemployment Benefits (Fund 20).
Source: The District.

Budgets of the District

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. A school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year.

Under the provisions of A.B. 1200, school districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education, and 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 fiscal year. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls. The county office of education reviews the certification, completes the budget review checklist and conducts an analysis of any budget item that does not meet the established standards and issues either a positive, negative or qualified certification. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. Within the previous five fiscal years, the District has not received a qualified or negative certifications from the County Office of Education.

Presented on the following page are the District's Adopted Budgets for fiscal years 2015-16 through 2019-20. The District adopted its budget for fiscal year 2019-20 on June 18, 2019. See APPENDIX C for the District's financial statements for fiscal year 2017-18.

ARVIN UNION SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGETS
FISCAL YEARS 2015-16 THROUGH 2019-20[1][2]

	Adopted 2015-16 Budget	Adopted 2016-17 Budget	Adopted 2017-18 Budget	2018-19 Adopted Budget	2019-20 Adopted Budget
Revenues					
LCFF Sources	$27,926,625	$29,805,584	$30,445,848	$32,873,232	$34,696,891
Federal Revenue	3,432,020	3,655,151	3,626,493	3,753,027	3,822,187
Other State Revenue	4,481,798	3,183,471	2,578,891	3,772,639	3,337,281
Other Local Revenue	388,139	309,633	255,000	260,000	260,000
Total Revenue	$36,228,582	$36,953,839	$36,906,232	$40,658,898	$42,116,359
Expenditures					
Certificated Salaries	$14,575,373	$14,734,729	$15,461,013	$15,564,421	$16,001,034
Classified Salaries	3,640,954	3,708,911	4,506,988	4,740,212	5,127,305
Employee Benefits	6,871,695	7,777,266	8,665,689	9,504,494	10,351,460
Books and Supplies	2,295,815	2,754,351	2,217,081	3,108,535	2,577,030
Services and Other Operating Expenditures	3,586,890	4,925,137	4,208,517	4,900,958	5,293,893
Capital Outlay	992,295	1,972,234	1,000,000	890,000	471,470
Other Outgo (excluding Transfers of Indirect Costs)	1,100,000	1,100,000	1,095,000	1,095,000	1,498,500
Other Outgo – Transfers of Indirect Costs	(10,078)	(10,078)	(10,078)	(10,078)	-
Total Expenditures	$33,052,945	$36,962,551	$37,144,210	$39,793,543	$41,320,691
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources and Uses	$ 3,175,637	$ (8,712)	$ (237,978)	865,355	795,668
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	-
Transfers Out	0	0	0	0	500,000
Total Other Financing Sources (Uses)	0	0	0	0	$ (500,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources/Uses	$ 3,175,637	$ (8,712)	$ (237,978)	$ 865,355	$ 295,668
Beginning Fund Balance, July 1	1,449,856	3,465,528	888,558	1,325,566	917,767
Ending Fund Balances, June 30	$ 4,625,493	$ 3,456,816	$ 650,580	$ 2,190,921	$1,213,435

[1] Totals may not add due to rounding.
[2] This table reflects only the General Fund of the District.
Source: The District.

District Investments

The Kern County Treasurer (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the County's Treasury Pool, see the caption "THE KERN COUNTY TREASURY POOL" in the body of this Official Statement.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Linger, Peterson & Shrum, Fresno, California, serves as independent auditor to the District and their report for the Fiscal Year Ended June 30, 2018, is attached hereto as APPENDIX C. The District's auditor has not specifically approved the inclusion of such excerpts herewith.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX C

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

General

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment ("State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District.

Historically, the majority of the District's annual General Fund revenues (unrestricted) have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, colleges and universities, it does not protect the timing of such payments, and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

On June 27, 2013, the State adopted a new method for funding school districts commonly referred to as the "Local Control Funding Formula (the "LCFF"). The LCFF was fully implemented in fiscal year 2018-19 – two years ahead of schedule. See "– *Local Control Funding Formula*" below for more information. Prior to adoption of the LCFF, the State used a revenue limit funding system, described below under "– *Revenue Limit Funding*."

Revenue Limit Funding. School districts in the State have historically received most of their revenues under a formula known as the "revenue limit." Generally, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. The revenue limit system of funding has been replaced by the LCFF. A description of the revenue limit system is included herein as the District has historically received financial assistance from the State pursuant to this method of appropriations.

Each school district's revenue limit, which was funded by State moneys and local *ad valorem* property taxes from the general 1% *ad valorem* property tax levy, was allocated based on the ADA of each school district for either the current or preceding school year. Generally, State Aid to a school district amounted to the difference between the school district's revenue limit and the school district's local property tax allocation from the general 1% *ad valorem* property tax levy. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Local Control Funding Formula. Effective in fiscal year 2013-14, the State established the LCFF, a new system for funding school districts, charter schools and county offices of education. The LCFF replaces the revenue limit funding system, as well as many categorical programs. The LCFF distributes State resources to schools through a guaranteed base funding grant per unit of ADA (a "Base Grant"). The Base Grants per unit of ADA for each grade span are: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Full implementation of the LCFF was accomplished in fiscal year 2018-19. During the implementation period, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. Beginning in fiscal year 2014-15, the Base Grants were adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will now be subject to appropriation for such adjustment in the annual State budget.

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

School districts that serve students of limited English proficiency ("EL" students), students from low-income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated; if the school district has students with both limited English proficiency and eligibility for reduced price meals, for instance, such students will not be duplicated for purposes of determining the additional funding grants. Foster youths automatically qualify for free or reduced priced meals. A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2014-15 through 2018-19 and projections for fiscal year 2019-20 through fiscal year 2021-22.

ARVIN UNION SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE

	Average Daily Attendance				Enrollment	
Fiscal Year	K-3	4-6	7-8	Total ADA	Total Enrollment	% of EL/LI Enrollment
2014-15	1,385	903	707	2,995	3,117	96.66
2015-16	1,385	956	641	2,981	3,081	96.04
2016-17	1,390	993	545	2,928	3,036	96.90
2017-18	1,354	1002	602	2,958	3,057	97.28
2018-19	1,358	981	639	2,978	3,070	97.34
2019-20(1)	1,367	982	631	2,980	3,072	97.34
2020-21(1)	1,369	982	633	2,984	3,076	97.34
2021-22(1)	1,372	984	632	2,988	3,080	97.34

(1) Projected.
Source: The District.

The LCFF provides for a permanent economic recovery target ("ERT") add-on for school districts that would have received greater funding levels under the revenue limit system. The ERT is equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

Beginning July 1, 2014, school districts are required to develop a three-year Local Control and Accountability Plan (each, an "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to the districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to the district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Original Purchaser, Bond and Disclosure Counsel or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Bond and Disclosure Counsel or the Original Purchaser assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov, which website is not incorporated herein by reference.

Fiscal Year 2019-20 State Budget

On June 27, 2019, Governor Gavin Newsom signed the fiscal year 2019-20 budget (the "2019-20 State Budget"). The 2019-20 State Budget projects general fund revenues in the amount of $138.05 billion in fiscal year 2018-19 and $143.81 billion in fiscal year 2019-20. The 2019-20 State Budget projects that the State will end fiscal year 2018-19 with a reserve balance of approximately $19.75 billion, comprised of an approximate balance of $5.39 billion in the Special Fund for Economic Uncertainties ("SFEU") and an approximate balance of $14.36 billion in the Budget Stabilization Account ("BSA"). The 2019-20 State Budget projects that the State will end fiscal year 2019-20 with an approximately $17.93 billion reserve balance, comprised of approximately $1.41 billion in the SFEU and approximately $16.52 billion in the BSA. The 2019-20 State Budget includes a deposit of approximately $377 million to the PSSSA, however, such deposit did not trigger the school district reserve cap. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS– Proposition 2" in the forepart of this Official Statement.

The 2019-20 State Budget describes the State's financial situation as balanced, with a strong fiscal foundation as a result of paying down debts and building up reserves. The 2019-20 State Budget acknowledges the State's hard-won recovery and is centered on making necessary investments for a more effective government, promoting affordability and opportunity, and supporting justice and dignity for all Californians. For example, the 2019-20 State Budget includes $4.5 billion to eliminate debts and reverse deferrals, $5.5 billion to build reserves, and $4.3 billion to pay down unfunded retirement liabilities. The 2019-20 State Budget also addresses the unprecedented natural disasters which have occurred over the prior two years by proposing a one-time $50 million general fund expenditure for local grants and to immediately begin a comprehensive statewide education campaign on disaster preparedness and safety. The 2019-20 State Budget also includes a series of proposals to address early childhood education and improving early childhood health and wellness, and also creates a new "California EITC" by more than doubling the size of the State's earned income tax credit to $1 billion.

Under the 2019-20 State Budget, general fund expenditures for fiscal year 2019-20 are $147.8 billion (an increase of approximately $5.1 billion from fiscal year 2018-19 general fund expenditures), of which $58.8 billion (40%) is allocated to K-12 education. The 2019-20 State Budget provides Proposition 98 funding of $81.1 billion for fiscal year 2019-20.

The 2019-20 State Budget included the following significant adjustments affecting California K-12 school districts:

- Proposition 98 Settle Up – An increase of $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.

- Classified School Employees Summer Assistance Program – An increase of $36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings used to provide income during summer months.

- AB 1840 Adjustments – An increase of $3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and $514,000 one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 75 percent of the operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).

- Special Olympics – An increase of $4 million one-time non-Proposition 98 General Fund for the Special Olympics of Northern and Southern California.

- Wildfire-Related Cost Adjustments – An increase of $2 million one-time Proposition 98 General Fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of $727,000 one-time Proposition 98 General Fund to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the Budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years.

- Breakfast After the Bell – An increase of $500,000 one-time Proposition 98 General Fund to increase participation in the Breakfast After the Bell school nutrition program.

- Homeless Youth Education – An increase of $500,000 one-time Proposition 98 General Fund for the San Diego Unified School District to support the education of homeless youth.

- California Association of Student Councils – An increase of $150,000 one-time non-Proposition 98 General Fund to provide leadership development opportunities for financially disadvantaged students.

- San Francisco Unified School District Excess Tax Correction – An increase of $149.1 million one-time Proposition 98 General Fund to reflect a technical adjustment to excess property taxes related to a misallocation of these funds in 2016-17. Specifically, San Francisco did not properly calculate the excess tax allocation for the school district, which received taxes that should have been allocated to the county and city and special districts.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
Arvin Union School District
737 Bear Mountain Boulevard
Arvin, California 93203

Re: Arvin Union School District (Kern County, California)
$4,100,000 General Obligation Bonds, Election of 2014, Series 2019C (Bank Qualified)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Arvin School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $4,100,000 aggregate principal amount of its General Obligation Bonds, Election of 2014, Series 2019C (the "Bonds"). The Bonds are issued pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as amended, (ii) applicable provisions of the Education Code of the State, as amended, (iii) Article XIIIA of the California Constitution, and (iv) pursuant to a resolution of the Board of Trustees of the District adopted on November 19, 2019 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.

2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, as set forth in the Resolution.

3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax

purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraph 4 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR 2017-18

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ARVIN UNION SCHOOL DISTRICT
COUNTY OF KERN
ARVIN, CALIFORNIA
AUDIT REPORT
JUNE 30, 2018

Linger, Peterson & Shrum
Certified Public Accountants
575 East Locust Avenue, Suite 308
Fresno, California 93720-2928

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Introductory Section

Arvin Union School District
Audit Report
For The Year Ended June 30, 2018

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Financial Section

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928
(559) 438-8740

Independent Auditor's Report

To the Board of Trustees
Arvin Union School District
Arvin, California 93203

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arvin Union School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and Schedule of Changes in the District's Total OPEB Liability And Related Ratios identified as Required Supplementary Information in the table of contents 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 Arvin Union School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 10, 2018 on our consideration of Arvin Union 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 the 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 Arvin Union School District's internal control over financial reporting and compliance.

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

Management's Discussion and Analysis

GEORGIA RHETT
District Superintendent

EMMA PEREIDA-MARTINEZ
Assistant Superintendent

ARVIN UNION SCHOOL DISTRICT
737 Bear Mountain Blvd.
Arvin, CA 93203
(661) 854-6500 FAX (661) 854-2362

ARVIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Arvin Union School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Total assets increased $333,776. Deferred outflows increased $6,662,432 from the beginning balance. Total liabilities increased $20,799,794 from the beginning balance. Deferred inflows increased $1,154,436. Net position decreased $14,580,960 from the beginning net position.

- The District increased its general obligation bonded debt (including accreted interest) by $97,295. The District decreased capital lease obligations by $303,543. Net OPEB obligations increased by $15,005,564. Compensated absences decreased by $43,103. The net pension liability increased by $5,715,472.

- General revenues accounted for $36,113,386 in revenue or 77% of all revenues. Program specific revenues, in the form of charges for services, and operating grants and contributions, accounted for $10,984,890 or 23% of total revenues of $47,098,276.

- The District had $47,511,070 in expenses related to governmental activities; only $10,774,041 of these expenses were offset by program specific operating grants and contributions and $210,849 of these expenses were offset by program specific charges.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities as a whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column. For the District, the General Fund and the Cafeteria Fund are the most significant Funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

While this report contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question: "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash was received or paid.

These two statements report the District's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental activities – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

- Business-type activities – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District had no business-type activities for the fiscal year ended June 30, 2018.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Cafeteria Fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at the fiscal year end for spending in future periods. 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 less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and the governmental funds is reconciled in the financial statements.

Enterprise Funds

The Enterprise Fund, when applicable, uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same; however, the District had no Enterprise Funds.

Fiduciary Funds

For assets that belong to others, such as the Scholarship Fund and/or Student Body Funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. A separate Statement of Fiduciary Net Position--Fiduciary Fund and a Statement of Changes in Assets and Liabilities--Agency Fund report the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used by the District to finance its operations.

THE DISTRICT AS A WHOLE

Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017.

Table 1: Net Position

	Governmental Activities	
	2018	2017
Assets		
Current and other assets	$ 12,757,842	$ 14,467,576
Capital assets, net	39,865,414	37,821,904
Total Assets	$ 52,623,256	$ 52,289,480
Deferred Outflows of Resources	$ 10,653,927	$ 3,991,495
Liabilities		
Current liabilities	$ 1,951,335	$ 1,444,045
Long-term liabilities	79,771,844	59,479,340
Total Liabilities	$ 81,723,179	$ 60,923,385
Deferred Inflows of Resources	$ 4,263,710	$ 3,109,274
Net Position		
Invested in capital assets, net of related debt	$ 23,818,640	$ 20,950,303
Restricted	7,573,207	5,051,870
Unrestricted	(54,101,553)	(34,130,919)
Total Net Position	$ (22,709,706)	$ (8,128,746)

Total assets increased $333,776. Deferred outflows increased $6,662,432. Total liabilities increased $20,799,794. Deferred inflows increased $1,154,436. Net position decreased $14,580,960 from the beginning net position.

Table 2: Changes in Net Position – Statement of Activities

Table 2 reflects the change in net position on the Statement of Activities for fiscal year 2018 compared to 2017:

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	$ 210,849	$ 209,020
Operating grants and contributions	10,774,041	10,083,837
General Revenues		
LCFF Sources	30,609,814	29,984,947
Federal Revenue	37,996	30,264
Other State Revenue	2,739,313	3,461,600
Other Local Revenue	2,726,263	1,946,451
Total Revenues	$ 47,098,276	$ 45,716,119
Program expenses:		
Instruction	$ 23,906,379	$ 26,581,136
Instruction-related services	6,194,487	6,669,704
Pupil services	6,340,616	5,848,027
Ancillary services	47,786	32,265
Community services	640,251	548,176
General Administration	2,490,412	3,044,420
Plant services	5,939,365	4,445,543
Other outgo	958,334	1,146,742
Interest on long-term obligations	993,440	850,405
Total Expenses	$ 47,511,070	$ 49,166,418
Changes in Net Position	$ (412,794)	$ (3,450,299)

Governmental Activities

The Statement of Activities reflects the cost of program services and the operating grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues and unrestricted state entitlements.

Table 3: Governmental Activities

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and instruction-related services	$ 30,100,865	$ 23,871,965	$ 33,250,839	$ 27,771,085
Pupil services	6,340,616	3,063,952	5,848,027	2,580,582
General administration	2,490,412	2,063,069	3,044,420	2,575,114
Plant services	5,939,365	4,998,898	4,445,543	3,462,201
Ancillary services	47,786	38,428	32,265	27,295
Community services	640,251	538,094	548,176	460,137
Other outgo	958,334	958,334	1,146,742	1,146,742
Interest on long-term debt	993,440	993,440	850,405	850,405
	$ 47,511,070	$ 36,526,180	$ 49,166,418	$ 38,873,561

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for by using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $45,374,291, and expenditures and other financing uses of $47,567,620. The negative change in fund balance for the year reflects that the District was not able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2018, the District amended its General Fund budget as needed. The District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had $39,865,414 invested in capital assets. Table 4 reflects fiscal year 2018 balances compared to 2017:

Table 4: Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 1,462,548	$ 1,462,548
Work in progress	10,582,419	7,265,717
Land Improvements	325,852	358,400
Buildings	25,780,697	26,823,886
Equipment	1,713,898	1,911,353
Totals	$ 39,865,414	$ 37,821,904

Debt

At June 30, 2018, the District had $79,771,844 in long-term debt as compared to $59,479,340 at June 30, 2017. The balance of the general obligation bonds including accreted interest as of June 30, 2018 was $17,715,716, which represents 22% of the District's long-term debt and is being repaid over a 25 year period, with the last payment due in fiscal year 2030. Table 5 reflects fiscal year 2018 balances compared to 2017.

Table 5: Outstanding Debt, at Year-End

	Governmental Activities	
	2018	2017
Postemployment health benefits	$ 24,525,491	$ 9,519,927
General obligation bonds	14,194,223	14,754,223
Accreted interest on general obligation bonds	3,521,493	3,058,788
Early retirement incentives	445,015	436,701
Capital leases	1,781,199	2,084,742
Compensated absences	256,443	299,546
Net pension liability	34,670,918	28,955,446
Other	377,062	369,967
Totals	$ 79,771,844	$ 59,479,340

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the Governor strongly supports education, the State of California continues to lag behind in its financial commitment to schools and districts.

The District's General Fund revenues and other financing sources for the 2018-19 year are budgeted at $40,718,898, as compared to the 2017-18 actual of $39,635,708. Expenditures, other uses, and transfers out are budgeted for 2018-19 at $39,793,543, as compared to the 2017-18 actual of $40,142,353.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Davis, Chief Business Official, Arvin Union School District, 737 Bear Mountain Boulevard, Arvin, California 93203.

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Basic Financial Statements

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS:		
Cash in County Treasury	$	9,666,006
Cash on Hand and in Banks		65,755
Cash in Revolving Fund		6,000
Investments		1,532,732
Accounts Receivable		1,330,682
Stores Inventories		23,650
Prepaid Expenses		117,995
Unamortized Issuance Costs		15,022
Capital Assets:		
Land		1,462,548
Land Improvements, Net		325,852
Buildings, Net		25,780,697
Equipment, Net		1,713,898
Work in Progress		10,582,419
Total Assets		52,623,256
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources - Pensions		10,653,927
Total Deferred Outflows of Resources		10,653,927
LIABILITIES:		
Accounts Payable		1,775,655
Accrued Interest Payable		71,352
Unearned Revenue		104,328
Long-term Liabilities		
Due Within One Year:		
Bonds Payable		635,000
Other Post-employment Benefits Payable		1,055,775
Capital Leases Payable		186,169
Early Retirement Incentives Payable		124,472
Other		377,062
Due After One Year:		
Net Pension Liability		34,670,918
Bonds Payable		17,080,716
Other Post-employment Benefits Payable		23,469,716
Capital Leases Payable		1,595,030
Early Retirement Incentives Payable		320,543
Compensated Absences Payable		256,443
Total Liabilities		81,723,179
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources - Pensions		4,263,710
Total Deferred Inflows of Resources		4,263,710
NET POSITION:		
Net Investment in Capital Assets		23,818,640
Restricted For:		
Debt Service		1,898,757
Capital Projects		5,166,633
Other Purposes		507,817
Unrestricted		(54,101,553)
Total Net Position	$	(22,709,706)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	$ 23,906,379	$ 115,091	$ 5,013,592	$ (18,777,696)
Instruction-Related Services	6,194,487	25,766	1,074,452	(5,094,269)
Pupil Services	6,340,616	33,707	3,242,957	(3,063,952)
Ancillary Services	47,786	229	9,129	(38,428)
Community Services	640,251	2,506	99,651	(538,094)
General Administration	2,490,412	10,482	416,861	(2,063,069)
Plant Services	5,939,365	23,068	917,399	(4,998,898)
Other Outgo	958,334	-	-	(958,334)
Interest on Long-Term Obligations	993,440	-	-	(993,440)
Total Governmental Activities	47,511,070	210,849	10,774,041	(36,526,180)
Total Primary Government	$ 47,511,070	$ 210,849	$ 10,774,041	(36,526,180)

General Revenues:	
LCFF Sources	30,609,814
Federal Revenues	37,996
State Revenues	2,739,313
Local Revenues	2,726,262
Total General Revenues	36,113,385
Change in Net Position	(412,795)
Net Position - Beginning	(8,128,748)
Prior Period Adjustment	(14,168,163)
Net Position - Ending	$ (22,709,706)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	$ 6,155,116	$ 3,510,890	$ 9,666,006
Cash on Hand and in Banks	-	65,755	65,755
Cash in Revolving Fund	5,000	1,000	6,000
Investments	888,986	643,746	1,532,732
Accounts Receivable	950,895	379,787	1,330,682
Due from Other Funds	5,023,310	375,680	5,398,990
Stores Inventories	-	23,650	23,650
Prepaid Expenditures	-	117,995	117,995
Total Assets	13,023,307	5,118,503	18,141,810
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 1,363,852	$ 411,803	$ 1,775,655
Due to Other Funds	4,779,003	619,987	5,398,990
Unearned Revenue	103,186	1,142	104,328
Total Liabilities	6,246,041	1,032,932	7,278,973
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	5,000	1,000	6,000
Stores Inventories	-	23,650	23,650
Prepaid Items	-	117,995	117,995
Restricted Fund Balances	186,262	3,271,749	3,458,011
Assigned Fund Balances	4,375,319	671,177	5,046,496
Unassigned:			
Reserve for Economic Uncertainty	2,429,938	-	2,429,938
Other Unassigned	(219,253)	-	(219,253)
Total Fund Balance	6,777,266	4,085,571	10,862,837
Total Liabilities and Fund Balances	$ 13,023,307	$ 5,118,503	$ 18,141,810

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

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

Total Fund Balances - Balance Sheet, Governmental Funds	$	10,862,837
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets		56,265,084
Accumulated depreciation		(16,399,670)
Certain debt issue costs are recognized in the funds as expenditures in the period the debt was incurred, whereas in the government-wide statements, they are amortized over the life of the debt:		
Unamortized prepaid insurance related to debt		15,022
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(71,352)
General obligation bonds payable		(14,194,223)
Accreted interest		(3,521,493)
Other post-employment benefits payable (OPEB)		(24,525,491)
Net pension liability		(34,670,918)
Compensated absences payable		(256,443)
Capital leases payable		(1,781,199)
Early Retirement Incentives-STRS		(390,845)
Early Retirement Incentives-PERS		(38,051)
Early Retirement Incentives-PARS		(16,119)
Contract Payable		(377,062)
Deferred outflows and inflows of resources are not reported in the funds because they are applicable to future periods:		
Deferred outflows of resources related to pensions		10,653,927
Deferred inflows of resources related to pensions		(4,263,710)
Net Assets of Governmental Activities - Statement of Net Assets	$	(22,709,706)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	$ 24,314,175	$ -	$ 24,314,175
Education Protection Account Funds	3,937,537	-	3,937,537
Local Sources	2,358,102	-	2,358,102
Federal Revenue	3,731,784	2,511,431	6,243,215
Other State Revenue	3,433,727	650,908	4,084,635
Other Local Revenue	1,860,382	2,576,244	4,436,626
Total Revenues	39,635,707	5,738,583	45,374,290
Expenditures:			
Current:			
Instruction	22,453,060	480,045	22,933,105
Instruction - Related Services	5,409,240	54,752	5,463,992
Pupil Services	2,915,006	2,788,690	5,703,696
Ancillary Services	47,980	-	47,980
Community Services	526,394	-	526,394
General Administration	2,201,229	84	2,201,313
Plant Services	3,956,278	87,390	4,043,668
Other Outgo	957,034	-	957,034
Capital Outlay	939,512	3,009,075	3,948,587
Debt Service:			
Principal	673,510	560,000	1,233,510
Interest	63,110	445,231	508,341
Total Expenditures	40,142,353	7,425,267	47,567,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(506,646)	(1,686,684)	(2,193,330)
Net Change in Fund Balance	(506,646)	(1,686,684)	(2,193,330)
Fund Balance, July 1	7,283,912	5,772,255	13,056,167
Fund Balance, June 30	$ 6,777,266	$ 4,085,571	$ 10,862,837

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances-total governmental funds	$	(2,193,330)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Expenditures for capital outlay		3,372,983
Depreciation expense		(1,329,473)
Governmental funds report repayments of long-term debt as expenditures. In the Government-wide statements, repayments of long-term debt are reported as reductions of liabilties. Expenditures for repayment of the principal portion of long-term debt were:		1,233,510
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:		
Change in accrued interest payable and accreted interest		(485,099)
Compensated absences		43,103
Other post-employment benefits cost in excess of contributions		(837,401)
Early Retirement Incentives-PERS		(8,314)
In the funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs recognized in the current period net of the costs amortized for the period was:		(1,300)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		(207,474)
Change in net assets of governmental activities - statement of activities	$	(412,795)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 31,932
Total Assets	31,932
LIABILITIES:	
Due to Student Groups	$ 31,932
Total Liabilities	31,932
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.The General Fund, reported in these financial statements, includes four Funds maintained by the District: The General Fund (Fund 01), the Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other Than Capital Outlay (Fund 17) and the Special Reserve for Postemployment Benefits (Fund 20). Although Funds 17 and 20 are separate funds authorized in the Education Code, neither fund meets the definition of a Special Revenue Fund under accounting principles generally accepted in the United States of America, and have therefore been combined into the General Fund for financial reporting purposes. The beginning fund balances have also been combined.

The District reports the following nonmajor funds:

Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund is used to account for the accumulation and expenditure of funds for projects funded under the Leroy F. Greene School Facilities Act of 1998, as established by the Board in accordance with Education Code 42840 et seq.

Special Reserve (Capital Projects) Fund is used to account for the accumulation and expenditure of funds for capital outlay purposes, as established by the Board in accordance with Education Code 42840 et seq.

Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of bonds issued by the District.

Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Kern County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Kern County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation AC systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, tool:	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5

Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. 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.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63, 65, 74 and 75, as applicable.

7. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 14 (Deferred Maintenance Fund), Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report, as applicable.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD) (STRS)	June 30, 2016
Valuation Date (VD) (PERS)	June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

11. Change in Accounting Policies

The District has adopted accounting policies compliant with a new pronouncement issued by the Government Accounting Standards Board (GASB) that is effective for the fiscal year ended June 30, 2018. This newly implemented pronouncement is as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This statement replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" for OPEB.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

B. Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Classified Salaries	$ 324,265
Employee Benefits	2,233,528
Direct Support/Indirect Costs	13,582
Principal	673,510
Interest	63,110
Child Development Fund	
Certified Salaries	7,343
Classified Salaries	26,088
Employee Benefits	51,274
Books and Supplies	12,475
Services And Other Operating Expenditures	1,192
Cafeteria Fund:	
Classified Salaries	49,075
Employee Benefits	184,543
Books and Supplies	200,762
Services And Other Operating Expenditures	35,328
Building Fund:	
Services And Other Operating Expenses	12,021

General fund: The District incurred unanticipated expenditures for inflationary salary increases.
Debt related expenditures were not budgeted for.

Child Development Fund: The District incurred unanticipated expenditures for inflationary salary increases and new contract services.

Cafeteria Fund: Salaries and Benefits had an unanticipatated increase as well as Services.

Building Fund: There were unexpected operating costs.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($9,666,006 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $9,666,006. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks, ($65,755 and $6,000 in the revolving fund) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2018 are shown below.

Investment or Investment Type	Maturity		Fair Value
Cash in County Treasury	Less Than 12 months	$	9,666,006
Cash on Hand and in Banks	Less Than 12 months		65,755
Cash in Revolving Fund	Less Than 12 months		6,000
Investments Held by Self-Insured-Schools			1,532,732
Total Investments		$	11,270,493

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	100%
Local Agency Investment Fund (LAIF)	N/A	None	None

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable and due from grantor governments at June 30, 2018 consisted of the following:

	General Fund	All Other Government Funds	Total Governmental Funds
Federal programs	$ 702,758	$ 348,945	$ 1,051,703
State categorical aid programs	133,285	-	133,285
Interest	24,333	10,734	35,067
Other local receivables	90,519	20,108	110,627
Total	$ 950,895	$ 379,787	$ 1,330,682

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,462,548	$ -	$ -	$ 1,462,548
Work in progress	7,265,717	3,316,702	-	10,582,419
Total capital assets not being depreciated	8,728,265	3,316,702	-	12,044,967
Capital assets being depreciated:				
Buildings	38,623,483	-	-	38,623,483
Land Improvements	1,568,253	-	-	1,568,253
Equipment	3,972,100	56,281	-	4,028,381
Total capital assets being depreciated	44,163,836	56,281	-	44,220,117
Less accumulated depreciation for:				
Buildings	(11,799,597)	(1,043,189)	-	(12,842,786)
Land Improvements	(1,209,853)	(32,548)	-	(1,242,401)
Equipment	(2,060,747)	(253,736)	-	(2,314,483)
Total accumulated depreciation	(15,070,197)	(1,329,473)	-	(16,399,670)
Total capital assets being depreciated, net	29,093,639	(1,273,192)	-	27,820,447
Governmental activities capital assets, net	$ 37,821,904	$ 2,043,510	$ -	$ 39,865,414

Depreciation was charged to functions as follows:

Instruction	$	723,925
Instructional library, media, and technology		35,974
School site administration		99,403
Home-to-school transportation		185,266
Food services		7,182
Community services		1,089
All other general administration		16,471
Data processing		597
Plant services		259,566
	$	1,329,473

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds during the year ended June 30, 2018, consisted of the following:

Fund		Due From		Due To
General Fund	$	584,986	$	4,779,003
Child Development Fund		74,732		237,397
Cafeteria Special Revenue Fund		37,381		382,590
Special Revenue Fund for Other Than Capital Outlay		1,339,000		-
Building Fund		263,567		-
Special Reserve Fund for Postemployment Benefits		3,099,324		-
Total	$	5,398,990	$	5,398,990

All amounts due relate to short-term borrowing and are scheduled to be repaid within one year.

G. Accounts Payable

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

		General Fund		All Other Government Funds		Total Governmental Funds
Vendor payables	$	871,655	$	411,803	$	1,283,458
Salaries and benefits		478,943		-		478,943
State categorical aid programs		13,254		-		13,254
Total	$	1,363,852	$	411,803	$	1,775,655

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 14,754,223	$ -	$ 560,000	$ 14,194,223	635,000
Accreted Interest	3,058,788	462,705	-	3,521,493	-
Capital leases	2,084,742	-	303,543	1,781,199	186,169
Other postemployment benefits payable*	23,688,090	1,704,473	867,072	24,525,491	1,055,775
Compensated absences	299,546	-	43,103	256,443	-
Net pension liability	28,955,446	5,715,472	-	34,670,918	-
Contract payable	747,029	-	369,967	377,062	377,062
Early retirement incentives - STRS	338,060	144,546	91,761	390,845	95,558
Early retirement incentives - PERS	66,403	-	28,352	38,051	12,795
Early retirement incentives - PARS	32,238	-	16,119	16,119	16,119
Total governmental activities	$ 74,024,565	$ 8,027,196	2,279,917	79,771,844	2,378,478

*Restated for GASB 75

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
General obligation bonds	Governmental	Bond Interest and Redemption
Accreted Interest	Governmental	Bond Interest and Redemption
Capital leases	Governmental	Bond Interest and Redemption
Other postemployment benefits payable	Governmental	General
Compensated absences	Governmental	General
Net pension liability	Governmental	General
Contract payable	Governmental	General
Early retirement incentives - STRS	Governmental	General
Early retirement incentives - PERS	Governmental	General
Early retirement incentives - PARS	Governmental	General

2. General Obligation Bonds and Accreted Interest on Capital Appreciation Bonds

The outstanding general obligation bond debt of the District at June 30, 2018, is as follows:

Bond	Issue Date	Maturity Date	Interest Rate %
2004, Series 2004A	5/27/04	5/1/48	3.25-5.90
2014, Series 2008	8/14/08	5/1/48	2.25-6.20
Refunding Bond, Series 2015A	6/24/15	11/1/14	3.375-4.00
Refunding Bond, Series 2015A	6/24/15	11/1/25	4.00
2014, Series 2017B	2/7/17	11/1/48	1.20-4.50

Bond	Original Issue	Bonds Outstanding July 1, 2017	Issued During Year	Redeemed During Year	Bonds Outstanding June 30, 2018
2004, Series 2004A	5,059,349	129,349	-	-	129,349
2014, Series 2008	5,059,874	4,837,874	-	50,000	4,784,874
Refunding Bond, Series 2015A	3,115,000	2,885,000	-	255,000	2,630,000
Refunding Bond, Series 2015A	3,860,000	3,405,000	-	255,000	3,150,000
2014, Series 2017B	3,500,000	3,500,000	-	-	3,500,000
	$ 25,713,058	$ 14,757,223	$ -	$ 560,000	$ 14,194,223

The annual requirements to amortize general obligation bonds, payable and outstanding, and accreted interest as of June 30, 2018 are as follows:

	General Obligation Bonds		
Year Ending June 30,	Principal	Interest	Total
2019	635,000	420,157	1,055,157
2020	560,000	394,494	954,494
2021	615,000	369,718	984,718
2022	505,000	346,282	851,282
2023	565,000	324,144	889,144
2024-2028	2,379,461	2,454,578	4,834,039
2029-2033	1,427,477	4,551,611	5,979,088
2034-2038	2,176,167	5,145,010	7,321,177
2039-2043	2,708,592	6,225,971	8,934,563
2044-2048	2,622,526	8,231,136	10,853,662
Totals	$ 14,194,223	$ 28,463,101	$ 42,657,324

Year Ending June 30,	Accreted Interest
2019	$ -
2020	-
2021	-
2022	-
2023	-
2024-2028	347,919
2029-2033	835,851
2034-2038	839,198
2039-2043	755,655
2044-2048	742,870
Totals	$ 3,521,493

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2018, as follows:

Year Ending June 30:	Principal	Interest	Lease Payment
2019	$ 186,169	$ 41,680	$ 227,849
2020	202,371	37,324	239,695
2021	214,211	32,588	246,799
2022	226,598	27,576	254,174
2023	239,555	22,273	261,828
2024-2026	712,295	31,904	744,199
Total Minimum Rentals	$ 1,781,199	$ 193,345	$ 1,974,544

Rental Expenditures in 2018 $ 352,326

4. Contract Payable

The District has incurred a contract payable for the purchase of ten school buses. The contract is secured by the buses. Annual amounts to amortize this debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 377,062	$ 7,232	$ 384,294

5. Early Retirement Incentive

The Board has adopted an early retirement incentive program. Under the State Teachers' Retiremenet Law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis.

The District has also granted early retirement incentives under CalPERS to eligible classified employees.

The Board has adopted an early retirement incentive program through the PARS Supplementary Retirement Plan. The District has entered into contracts with certain eligible employees who will receive supplementary retirement benefits. Eligible Certificated Non-Management, and Certificated and Classified Management employees will receive five annual contributions of $10,000 to a 403(b) annuity contract, beginning in December 2012. Eligible Eligible Classified or Confidential employees will receive five annual contributions of $4,000 to a 403(b) annuity contract, beginning in December 2012.

Year Ending June 30,	Principal	Interest	Total
2019	$ 124,472	$ 28,907	$ 153,379
2020	62,031	19,605	81,636
2021	56,370	15,513	71,883
2022	56,872	12,128	69,000
2023	47,960	8,716	56,676
2024-2028	97,310	9,885	107,195
Totals	$ 445,015	$ 94,754	$ 539,769

I. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2018, as follows:

Year Ending June 30,	
2019	$ 5,159
2020	4,380
2021	4,380
2022	4,380
2023	2,920
Total Minimum Rentals	$ 21,219

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

J. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	8.167%	8.167%

*Amounts are limited to 120% of Social Security Wage Base.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.888% of annual payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 8.167% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.410%	646,069
2017	6.000%	821,459
2018	8.167%	1,096,666

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	1,846,756	672,000	2,518,756
Contributions - State On Behalf Payments (Fiscal Year)	1,096,666	-	1,096,666
Total Contributions	$ 2,943,422	672,000	3,615,422

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	25,677,139
CalPERS	8,993,779
Total Net Pension Liability	$ 34,670,918

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability**.** The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2017	0.0269%	0.0154%	0.0423%	0.0366%
Proportion June 30, 2018	0.0278%	0.0165%	0.0443%	0.0377%
Change in Proportion	0.0008%	0.0011%	0.0019%	0.0011%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	3,977,602	1,737,870	5,715,472
State On Behalf Pension Expense	1,232,350		1,232,350
Employer Contributions to Pension Expense	2,162,700	799,568	2,962,268
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(1,777,332)	(799,568)	(2,576,900)
Difference Between Actual & Expected Experience	(88,626)	(160,298)	(248,924)
Change in Assumptions	(4,439,734)	(1,401,262)	(5,840,996)
Change in Proportionate Shares	(236,644)	(167,197)	(403,841)
Net Difference Between Projected & Actual Earnings	-	-	-
Increase/(Decrease) in Deferred Inflows of Resources			-
Difference Between Actual & Expected Experience	(268)	(8,949)	(9,217)
Change in Assumptions	-	(21,879)	(21,879)
Change in Proportionate Shares	-	(24,417)	(24,417)
Net Difference Between Projected & Actual Earnings	2,429,588	1,665,077	4,094,665
Total Pension Expense	$ 3,259,636	1,618,945	4,878,581

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 2,162,700	$ 799,568	2,962,268
Differences between actual and expected experience	88,626	160,298	248,924
Changes in assumptions	4,439,734	1,401,262	5,840,996
Change in employer's proportion share	1,434,542	167,197	1,601,739
Net difference between projected and actual earnings		-	-
Total Deferred Outflows of Resources	$ 8,125,602	$ 2,528,325	$ 10,653,927

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	$ (802)	$ (26,847)	(27,649)
Changes in assumptions	-	(65,638)	(65,638)
Change in employer's proportionate share	-	(73,249)	(73,249)
Net difference between projected and actual earnings	(2,432,097)	(1,665,077)	(4,097,174)
Total Deferred Inflows of Resouces	$ (2,432,899)	$ (1,830,811)	$ (4,263,710)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2019	3,728,295	1,231,758	(608,448)	(553,479)	3,798,126
2020	1,565,595	432,190	(608,448)	(553,479)	835,858
2021	1,565,596	432,190	(608,450)	(553,482)	835,854
2022	1,266,116	432,187	(607,553)	(170,371)	920,379
2023	-	-	-	-	-
Total	8,125,602	2,528,325	(2,432,899)	(1,830,811)	6,390,217

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2016		June 30, 2016	
Measurement Date	June 30, 2017		June 30, 2017	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.10%		7.15%	
Inflation	2.75%		2.75%	
Wage Growth	3.50%		3.00%	
Projected Salary Increase	0.5%-6.4%	(1)	3.10%-9.00%	(1)
Investment Rate of Return	7.10%	(2)	7.15%	(2)
Mortality	0.073%-22.86%	(3)	0.466%-32.536%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% for measurement date June 30, 2015 to correct for an adjustment to exclude administrative expenses. The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

In determining the long-term expected rate of return, CalSTRS and 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	$ 37,702,194	$ 13,232,730
Current Discount Rate	7.10%	7.15%
Net Pension Liability	$ 25,677,139	$ 8,993,779
1% Increase	8.10%	8.15%
Net Pension Liability	$ 15,917,995	$ 5,477,213

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 119,425,555	$ 83,509,532	$ 35,916,023	$ 14,216,486	$ 21,699,537
Changes for the year:					
Change in Proportionate share	52,495	176,968	(124,473)	(881,602)	757,129
Service Cost	2,683,441	-	2,683,441	999,772	1,683,669
Interest	8,950,852	-	8,950,852	3,334,825	5,616,027
Differences between expected and actual experience	176,565	-	176,565	65,783	110,782
Change in assumptions	8,845,090	-	8,845,090	3,295,422	5,549,668
Contributions:					
Employer	-	1,846,740	(1,846,740)	(688,041)	(1,158,699)
Employee	-	1,522,660	(1,522,660)	(567,298)	(955,361)
State On Behalf Payments	-	1,096,666	(1,096,666)	(408,586)	(688,080)
Net Investment Income	-	11,136,095	(11,136,095)	(4,148,983)	(6,987,112)
Other Income	-	31,864	(31,864)	(11,871)	(19,992)
Benefit Payments, including refunds of employee contributions	(6,152,154)	(6,152,154)	-	-	-
Administrative expenses	-	(80,701)	80,701	30,067	50,634
Borrowing Costs	-	(25,648)	25,648	9,556	16,092
Other Expenses	-	(4,536)	4,536	1,690	2,846
Net Changes	14,556,289	9,547,954	5,008,335	1,030,733	3,977,602
Balance at June 30, 2018	$ 133,981,844	$ 93,057,486	$ 40,924,358	$ 15,247,219	$ 25,677,139

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 27,822,224	$ 20,566,315	$ 7,255,909
Changes for the year:			
Adjustment for Change in Proportionate Share	683,065	498,335	184,730
Service Cost	765,503	-	765,503
Interest	2,154,891	-	2,154,891
Differences between expected and actual experience	200,373	-	200,373
Changes in Assumptions	1,751,577	-	1,751,577
Contributions - Employer	-	672,005	(672,005)
Contributions - Employee	-	338,101	(338,101)
Net Plan to Plan Resource Movement	-	(51)	51
Net Investment Income	-	2,340,226	(2,340,226)
Benefit Payments, including refunds of employee contributions	(1,403,322)	(1,403,322)	-
Administrative expenses	-	(31,077)	31,077
Net Changes	4,152,087	2,414,217	1,737,870
Balance at June 30, 2018	$ 31,974,311	$ 22,980,532	$ 8,993,779

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

K. Early Retirement Incentive Program

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

A total of 3 employees have retired in exchange for the additional two years of service credit.

			Retired Employees		Replacement Employees (If Applicable)	
Position Vacated	Age	Service Credit	Salary	Benefits	Salary	Benefits
Teacher	55	32	$ 88,228	$ 17,712	$ 47,755	$ 17,580
Teacher	61	38	88,228	-	47,755	17,580
Teacher	65	18	85,219	-	47,755	17,580
Totals			$ 261,675	$ 17,712	$ 143,265	$ 52,740

Additional Costs

As a result of the early retirement incentive program, the District expects to incur additional costs. The breakdown in additional costs is as follows:

Retirement Costs	$	183,574
Health Benefit Costs		34,298
Administrative Costs		1,080
Total Additional Costs	$	218,952

Yearly Payroll Savings

The District expects this early retirement program to generate annual payroll savings of $83,382 which equals the difference in payroll costs for the three retirees and their replacements.

Financial Impact

The early retirement incentive program is expected to generate $218,952 in additional costs before savings. The program has a pay-back period of 2.626 years.

L. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

Arvin Union School District provides medical insurance benefits to those retiring from the District. The health and welfare benefit plans of the District include medical, prescription drug, behavioral health insurance, and dental and vision insurance. The medical plans include two Blue Cross Prudent Buyer options (one for classified, the other for all other groups). Prescription drug coverage is carved out and provided through two Medco Drug Card plans, one for each of the PPO options, with behavioral health benefits carved out and provided through BHP**.** Delta Dental and VSP vision insurance are also offered to both active employees and retirees of the District**.** Dental and vision benefits through the Self-Insured Schools of California (SISC).

The OPEB plan does not issue stand-alone financial reports that are available to the public.

Eligibility for District-Paid Benefits

Certificated (Arvin Teachers Association) and Cerfificated Management

If hired prior to July 1, 1993, age 55 and completing at least 7 1/2 consecutive years of full-time service with the District.

If hired on or after July 1, 1993, age 55 and completing at least 15 consecutive years of full-time service with the District.

At age 52, with 30 consecutive years of service, regardless of date of employment.

Classified (CSEA) and Confidential

If hired prior to July 1, 1991, age 50 and completing at least 5 consecutive years of full-time service with the District.

If hired between July 1, 1991, and June 30, 1999, age 50 and completing at least 10 consecutive years of full-time service with the District.

If hired after July 1, 1999, age 55 and completing at least 15 consecutive years of full-time service with the District.

Duration of District-Paid Benefits

Certificated (Arvin Teachers Association) and Certificated Management

If hired prior to July 1, 1992, for life plus additional premium for eligible spouse after age 65 if enrolled in Medicare Part B.

If hired between July 1, 1992 and June 30, 1997, for retiree's life only.

If hired on or after July 1, 1997, until age 65.

Classified (CSEA) and Confidential

If hired prior to July 1, 1997, until age 75 (spousal benefits end at age 65).

If hired on or after July 1, 1997, until age 65.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	83
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	237
Total number of participants	320

2. Total OPEB Liability

The District's total restated OPEB liability was $24,525,491 as of June 30, 2018, and was determined using actuarial assumptions and other inputs.

Actuarial Assumptions and Other Inputs

The total OPEB liability actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	2.75% per year
Discount Rate	3.50%
Healthcare Cost Trend Rates	4.00% per year
Retiree's Share of Costs	0.00% of projected health insurance premiums

The discount rate was based on the Bond Buyer 20 Bond Index.

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. The CalPERS mortality tables created by CalPERS are modified versions of the Society of Actuaries Scale BB mortality table, as adjusted for data from CalSTRS members.

The actuarial assumptions used in the valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 9,519,927
Adjusted for GASB 75	14,168,163
Balance at June 30, 2017, restated	23,688,090
Changes for the year:	
Service cost	756,949
Interest	947,524
Benefit payments	(867,072)
Net changes	837,401
Balance at June 30, 2018	$ 24,525,491

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liabiltiy 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 1-percentage-point lower (3.00%) or 1-percentage-point-higher (5.00%) than the current discount rate:

	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	$ 26,176,959	$ 24,525,491	$ 22,999,606

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 1-percentage-point-lower (4.00% per year) or 1-percentage-point higher (6.00% per year) than the current healthcare cost trend rates:

	1% Decrease 4.00%	Healthcare Cost Trend Rate 5.00%	1% Increase 6.00%
Total OPEB Liability	$ 23,333,464	$ 24,525,491	$ 25,475,986

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $1,704,473.

At June 30, 2018 the District reported no deferred outflows or inflows of resources related to other postemployment benefits.

M. Compensated Absences

Compensated absences at June 30, 2018 consisted of:

	Compensated Absences	Benefits	Totals
Classified	$ 234,366	$ 22,077	$ 256,443

All amounts are due after one year.

N. Commitments and Contingencies

1. Pending Assessment for Disputed Tax Revenues

The Kern County Auditor-Controller's Office has impounded disputed revenues of school district taxes on secured and unsecured property based on claims or actions filed for the return of such tax revenues. The claims and actions are regarding the valuation of mineral rights that could trigger repayment of property taxes. Revenues are impounded until the final disposition of the claim or action.

The Kern County Auditor-Controller has estimated the contingent liability as follows:

Pending appeals for taxes	$ 212,852
Pending appeals for interest	8,908
Total	221,760
Less amount held by Kern County Auditor-Controller	(433,261)
Net Contingent Liability	$ (211,501)

2. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

O. Prior Period Adjustment

Adjustments to prior year Other Post-Employment Benefits Payable (OPEB) in accordance with GASB 75 resulted in the following changes to beginning balances to governmental activities, but not reported in the governmental funds:

Net Position June 30,2017 as previosly reported	$ (8,128,748)
Prior period adjustment for (OPEB)	(14,168,163)
Restated deficit balance June 30, 2017	$ (22,296,911)

P. Restricted Fund Balance

Restricted balances at June 30, 2018 are as follows:

California Clean Energy Jobs Act	$ 112,362
Medi-Cal Billing Option	23,684
Special Reserve for Debt Service	900,558
Other Restricted Local	50,217
State Schools Facilities Projects	2,049,635
Child Development: Center-Based Reserve Account	18,196
Child Nutrition: School Programs	303,359
Totals	$ 3,458,011

Q. Joint Ventures (Joint Powers Agreements)

The District participates in five joint ventures under joint powers agreements (JPAs) as follows:

Partners in Nutrition Cooperative (PINCO)
(commodities and other food items)

Schools Legal Services
(legal services)

Self-Insured Schools of California I (SISC I)
(workers' compensation insurance)

Self-Insured Schools of California II (SISC II)
(property and liability insurance)

Self-Insured Schools of California III (SISC III)
(health insurance)

The relationships between the District and the other JPAs are such that none of the other JPAs are component units of the District for financial reporting purposes.

The JPAs provide insurance and services as noted for member school districts.

Each JPA is governed by a board consisting of a representative from each member district. Such governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond representation on the governing board.

Each district pays premiums and fees commensurate with the level of coverage or services requested, and shares surpluses and deficits proportionate to its participation in each JPA.

Each JPA is independently accountable for its fiscal matters, and maintains its own accounting records.

The District's share of year-end assets, liabilities, or fund equity has not been calculated by the entities.

Condensed financial information for the above JPAs for the year ended June 30, 2018 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

PINCO	C/O Antelope Valley Union High School District 44811 N. Sierra Highway Lancaster, CA 93534-3226
Schools Legal Services	Kern County Superintendent of Schools 1300 17th St., No. 7 Bakersfield, CA 93301
SISC I, II and III	Self-Insured Schools of California Kern County Superintendent of Schools P. O. Box 1847 Bakersfield, CA 93303-1847

R. Subsequent Events

Implementation of New Accounting Guidance

The District is evaluating accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are not yet effective for the fiscal year ended June 30, 2018. Those newly issued pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 24,819,973	$ 24,764,830	$ 24,314,175	$ (450,655)
Education Protection Account Funds	3,555,055	3,525,054	3,937,537	412,483
Local Sources	2,070,820	2,198,406	2,358,102	159,696
Federal Revenue	3,626,493	3,650,465	3,731,784	81,319
Other State Revenue	2,578,891	3,135,174	3,433,727	298,553
Other Local Revenue	315,000	315,000	1,860,382	1,545,382
Total Revenues	36,966,232	37,588,929	39,635,707	2,046,778
Expenditures:				
Current:				
Certificated Salaries	15,461,013	15,500,757	15,462,458	38,299
Classified Salaries	4,506,988	4,667,209	4,991,474	(324,265)
Employee Benefits	8,665,689	8,343,791	10,577,319	(2,233,528)
Books And Supplies	2,217,081	2,538,143	2,506,951	31,192
Services And Other Operating Expenditures	4,208,517	4,143,087	3,970,985	172,102
Other Outgo	1,095,000	1,095,000	957,034	137,966
Direct Support/Indirect Costs	(10,078)	(13,582)	-	(13,582)
Capital Outlay	1,000,000	1,161,554	939,512	222,042
Debt Service:				
Principal	-	-	673,510	(673,510)
Interest	-	-	63,110	(63,110)
Total Expenditures	37,144,210	37,435,959	40,142,353	(2,706,394)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,978)	152,970	(506,646)	(659,616)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(177,978)	152,970	(506,646)	(659,616)
Fund Balance, July 1	7,283,912	7,283,912	7,283,912	-
Fund Balance, June 30	$ 7,105,934	$ 7,436,882	$ 6,777,266	$ (659,616)

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.025%	0.027%	0.030%	0.032%
District's proportionate share of the net pension liability (asset)	$ 25,677,139	$ 21,699,537	$ 19,820,000	$ 18,284,000
State's proportionate share of the net pension liability (asset)	15,247,219	14,216,486	10,483,000	11,041,000
Total	$ 40,924,358	$ 35,916,023	$ 30,303,000	$ 29,325,000
District's covered-employee payroll	$ 6,447,332	$ 8,351,558	$ 10,483,000	$ 11,041,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	398.26%	259.83%	189.07%	165.60%
Plan fiduciary net position as a percentage of the total pension liability	69.46%	69.93%	74.02%	74.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	$ 2,162,700	$ 1,050,626	$ 1,533,128	$ 1,213,395
Contributions in relation to the contractually required contribution	(2,162,700)	(1,050,626)	(1,533,128)	(1,213,395)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 8,993,779	$ 8,351,558	$ 14,288,000	$ 13,664,000
Contributions as a percentage of covered-employee payroll	24.05%	12.58%	10.73%	8.88%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides only the information for those years for which information is available.

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.038%	0.037%	0.036%	0.037%
District's proportionate share of the net pension liability (asset)	$ 8,941,735	$ 7,255,909	$ 5,320,000	$ 4,168,000
District's covered-employee payroll	$ 8,993,779	$ 4,810,707	$ 4,428,000	$ 3,995,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	99.42%	150.83%	120.14%	104.33%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.92%	79.43%	79.40%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides only the information for those years for which information is available.

ARVIN UNION SCHOOL DISTRICT **EXHIBIT B-5**

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	$ 799,568	$ 668,111	$ 524,611	$ 470,294
Contributions in relation to the contractually required contribution	799,568	668,111	524,611	470,294
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,148,207	$ 4,810,707	$ 4,428,000	$ 3,995,000
Contributions as a percentage of covered-employee payroll	15.53%	13.89%	11.85%	11.77%

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-6

SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
SINGLE EMPLOYER PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended 2018
Total OPEB liability:	
Service cost	$ 756,949
Interest	947,524
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(867,072)
Net change in total OPEB liability	837,401
Total OPEB liability - beginning	23,688,090
Total OPEB liability - ending	$ 24,525,491
Covered-employee payroll	$ 21,490,032
Total OPEB liability as a percentage of covered-employee payroll	114.12%

Notes to Schedule:

There were no changes of benefit terms in 2018.

There were no changes of assumptions in 2018. The following are the discount rates used in each period.

2018	4.00%
2017	NA
2016	NA
2015	NA
2014	NA
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL GENERAL FUNDS
JUNE 30, 2018

	General Fund	Deferred Maintenance Fund
ASSETS:		
Cash in County Treasury	$ 5,223,044	$ 1,112
Cash in Revolving Fund	5,000	-
Investments	-	-
Accounts Receivable	946,979	5
Due from Other Funds	584,986	-
Total Assets	6,760,009	1,117
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,363,852	$ -
Due to Other Funds	4,779,003	-
Unearned Revenue	103,186	-
Total Liabilities	6,246,041	-
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	5,000	-
Restricted Fund Balances	186,262	-
Assigned Fund Balances	541,959	1,117
Unassigned:		
Reserve for Economic Uncertainty	-	-
Other Unassigned	(219,253)	-
Total Fund Balance	513,968	1,117
Total Liabilities and Fund Balances	$ 6,760,009	$ 1,117

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2018
$ 445,320	$ 485,640	$ 6,155,116
-	-	5,000
643,747	245,239	888,986
1,871	2,040	950,895
1,339,000	3,099,324	5,023,310
2,429,938	3,832,243	13,023,307
$ -	$ -	$ 1,363,852
-	-	4,779,003
-	-	103,186
-	-	6,246,041
-	-	5,000
-	-	186,262
-	3,832,243	4,375,319
2,429,938	-	2,429,938
-	-	(219,253)
2,429,938	3,832,243	6,777,266
$ 2,429,938	$ 3,832,243	$ 13,023,307

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Deferred Maintenance Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 24,314,175	$ -
Education Protection Account Funds	3,937,537	-
Local Sources	2,358,102	-
Federal Revenue	3,731,784	-
Other State Revenue	3,433,727	-
Other Local Revenue	1,846,688	55
Total Revenues	39,622,013	55
Expenditures:		
Current:		
Instruction	22,453,060	-
Instruction - Related Services	5,409,240	-
Pupil Services	2,915,006	-
Ancillary Services	47,980	-
Community Services	526,394	-
General Administration	2,201,229	-
Plant Services	3,948,278	8,000
Other Outgo	957,034	-
Capital Outlay	939,512	-
Debt Service:		
Principal	673,510	-
Interest	63,110	-
Total Expenditures	40,134,353	8,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(512,340)	(7,945)
Net Change in Fund Balance	(512,340)	(7,945)
Fund Balance, July 1	1,026,308	9,062
Fund Balance, June 30	$ 513,968	$ 1,117

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2018
$ -	$ -	$ 24,314,175
-	-	3,937,537
-	-	2,358,102
-	-	3,731,784
-	-	3,433,727
6,524	7,115	1,860,382
6,524	7,115	39,635,707
-	-	22,453,060
-	-	5,409,240
-	-	2,915,006
-	-	47,980
-	-	526,394
-	-	2,201,229
-	-	3,956,278
-	-	957,034
-	-	939,512
-	-	673,510
-	-	63,110
-	-	40,142,353
6,524	7,115	(506,646)
6,524	7,115	(506,646)
2,423,414	3,825,128	7,283,912
$ 2,429,938	$ 3,832,243	$ 6,777,266

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 549,924	$ 900,558	$ 2,060,408	$ 3,510,890
Cash on Hand and in Banks	-	-	65,755	65,755
Cash in Revolving Fund	1,000	-	-	1,000
Investments	-	-	643,746	643,746
Accounts Receivable	370,999	-	8,788	379,787
Due from Other Funds	112,113	-	263,567	375,680
Stores Inventories	23,650	-	-	23,650
Prepaid Expenditures	117,995	-	-	117,995
Total Assets	1,175,681	900,558	3,042,264	5,118,503
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 63,092	$ -	$ 348,711	$ 411,803
Due to Other Funds	619,987	-	-	619,987
Unearned Revenue	1,142	-	-	1,142
Total Liabilities	684,221	-	348,711	1,032,932
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,000	-	-	1,000
Stores Inventories	23,650	-	-	23,650
Prepaid Items	117,995	-	-	117,995
Restricted Fund Balances	321,555	900,558	2,049,636	3,271,749
Assigned Fund Balances	27,260	-	643,917	671,177
Total Fund Balance	491,460	900,558	2,693,553	4,085,571
Total Liabilities and Fund Balances	$ 1,175,681	$ 900,558	$ 3,042,264	$ 5,118,503

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 2,511,431	$ -	$ -	$ 2,511,431
Other State Revenue	650,908	-	-	650,908
Other Local Revenue	26,220	907,590	1,642,434	2,576,244
Total Revenues	3,188,559	907,590	1,642,434	5,738,583
Expenditures:				
Current:				
Instruction	480,045	-	-	480,045
Instruction - Related Services	54,752	-	-	54,752
Pupil Services	2,788,690	-	-	2,788,690
General Administration	-	-	84	84
Plant Services	-	-	87,390	87,390
Capital Outlay	-	-	3,009,075	3,009,075
Debt Service:				
Principal	-	560,000	-	560,000
Interest	-	445,231	-	445,231
Total Expenditures	3,323,487	1,005,231	3,096,549	7,425,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	(134,928)	(97,641)	(1,454,115)	(1,686,684)
Net Change in Fund Balance	(134,928)	(97,641)	(1,454,115)	(1,686,684)
Fund Balance, July 1	626,388	998,199	4,147,668	5,772,255
Fund Balance, June 30	$ 491,460	$ 900,558	$ 2,693,553	$ 4,085,571

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-3)
ASSETS:			
Cash in County Treasury	$ 209,189	$ 340,735	$ 549,924
Cash in Revolving Fund	-	1,000	1,000
Accounts Receivable	20,318	350,681	370,999
Due from Other Funds	74,732	37,381	112,113
Stores Inventories	-	23,650	23,650
Prepaid Expenditures	-	117,995	117,995
Total Assets	304,239	871,442	1,175,681
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 20,244	$ 42,848	$ 63,092
Due to Other Funds	237,397	382,590	619,987
Unearned Revenue	1,142	-	1,142
Total Liabilities	258,783	425,438	684,221
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	1,000	1,000
Stores Inventories	-	23,650	23,650
Prepaid Items	-	117,995	117,995
Restricted Fund Balances	18,196	303,359	321,555
Assigned Fund Balances	27,260	-	27,260
Total Fund Balance	45,456	446,004	491,460
Total Liabilities and Fund Balances	$ 304,239	$ 871,442	$ 1,175,681

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-4)
Revenues:			
Federal Revenue	$ -	$ 2,511,431	$ 2,511,431
Other State Revenue	485,263	165,645	650,908
Other Local Revenue	2,922	23,298	26,220
Total Revenues	488,185	2,700,374	3,188,559
Expenditures:			
Current:			
Instruction	480,045	-	480,045
Instruction - Related Services	54,752	-	54,752
Pupil Services	-	2,788,690	2,788,690
Total Expenditures	534,797	2,788,690	3,323,487
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,612)	(88,316)	(134,928)
Net Change in Fund Balance	(46,612)	(88,316)	(134,928)
Fund Balance, July 1	92,068	534,320	626,388
Fund Balance, June 30	$ 45,456	$ 446,004	$ 491,460

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-7

CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 436,426	$ 485,263	$ 48,837
Other Local Revenue	-	2,922	2,922
Total Revenues	436,426	488,185	51,759
Expenditures:			
Current:			
Certificated Salaries	174,367	181,710	(7,343)
Classified Salaries	140,792	166,880	(26,088)
Employee Benefits	103,165	154,439	(51,274)
Books And Supplies	18,101	30,576	(12,475)
Services And Other Operating Expenditures	-	1,192	(1,192)
Total Expenditures	436,425	534,797	(98,372)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	(46,612)	(46,613)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1	(46,612)	(46,613)
Fund Balance, July 1	92,068	92,068	-
Fund Balance, June 30	$ 92,069	$ 45,456	$ (46,613)

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-8

CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	$ 2,060,908	$ 2,511,431	$ 450,523
Other State Revenue	150,000	165,645	15,645
Other Local Revenue	7,000	23,298	16,298
Total Revenues	2,217,908	2,700,374	482,466
Expenditures:			
Current:			
Classified Salaries	681,537	730,612	(49,075)
Employee Benefits	316,293	500,836	(184,543)
Books And Supplies	1,291,152	1,491,914	(200,762)
Services And Other Operating Expenditures	30,000	65,328	(35,328)
Direct Support/Indirect Costs	10,078	-	10,078
Total Expenditures	2,329,060	2,788,690	(459,630)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(111,152)	(88,316)	22,836
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(111,152)	(88,316)	22,836
Fund Balance, July 1	534,320	534,320	-
Fund Balance, June 30	$ 423,168	$ 446,004	$ 22,836

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	$ 332,325	$ 1,727,908
Cash on Hand and in Banks	-	65,755
Investments	-	-
Accounts Receivable	2,145	6,642
Due from Other Funds	263,567	-
Total Assets	598,037	1,800,305
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 288,722	$ 59,989
Total Liabilities	288,722	59,989
Fund Balance:		
Restricted Fund Balances	309,315	1,740,316
Assigned Fund Balances	-	-
Total Fund Balance	309,315	1,740,316
Total Liabilities and Fund Balances	$ 598,037	$ 1,800,305

County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-3)
$ 5	$ 170	$ 2,060,408
-	-	65,755
-	643,746	643,746
-	1	8,788
-	-	263,567
5	643,917	3,042,264
$ -	$ -	$ 348,711
-	-	348,711
5	-	2,049,636
-	643,917	643,917
5	643,917	2,693,553
$ 5	$ 643,917	$ 3,042,264

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	$ 45,158	$ 1,597,273
Total Revenues	45,158	1,597,273
Expenditures:		
Current:		
General Administration	-	84
Plant Services	12,021	75,369
Capital Outlay	2,840,819	168,256
Total Expenditures	2,852,840	243,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,807,682)	1,353,564
Net Change in Fund Balance	(2,807,682)	1,353,564
Fund Balance, July 1	3,116,997	386,752
Fund Balance, June 30	$ 309,315	$ 1,740,316

County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-4)
$ -	$ 3	$ 1,642,434
-	3	1,642,434
-	-	84
-	-	87,390
-	-	3,009,075
-	-	3,096,549
-	3	(1,454,115)
-	3	(1,454,115)
5	643,914	4,147,668
$ 5	$ 643,917	$ 2,693,553

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-11

BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 45,158	$ 45,158
Total Revenues	-	45,158	45,158
Expenditures:			
Current:			
Services And Other Operating Expenditures	-	12,021	(12,021)
Capital Outlay	3,116,997	2,840,819	276,178
Total Expenditures	3,116,997	2,852,840	264,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,116,997)	(2,807,682)	309,315
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(3,116,997)	(2,807,682)	309,315
Fund Balance, July 1	3,116,997	3,116,997	-
Fund Balance, June 30	$ -	$ 309,315	$ 309,315

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-12

CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 705,000	$ 1,597,273	$ 892,273
Total Revenues	705,000	1,597,273	892,273
Expenditures:			
Current:			
Services And Other Operating Expenditures	108,000	75,453	32,547
Capital Outlay	400,000	168,256	231,744
Total Expenditures	508,000	243,709	264,291
Excess (Deficiency) of Revenues Over (Under) Expenditures	197,000	1,353,564	1,156,564
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	197,000	1,353,564	1,156,564
Fund Balance, July 1	386,752	386,752	-
Fund Balance, June 30	$ 583,752	$ 1,740,316	$ 1,156,564

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-13

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 3	$ 3
Total Revenues	-	3	3
Expenditures:			
Capital Outlay	7,000	-	7,000
Total Expenditures	7,000	-	7,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,000)	3	7,003
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(7,000)	3	7,003
Fund Balance, July 1	643,914	643,914	-
Fund Balance, June 30	$ 636,914	$ 643,917	$ 7,003

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-14

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
STUDENT BODY ACTIVITIES				
ASSETS				
Cash and investments	$ 48,192	$ 50,618	$ 66,878	$ 31,932
Total Assets	$ 48,192	$ 50,618	$ 66,878	$ 31,932
LIABILITIES				
Due to student groups	$ 48,192	$ 50,618	$ 66,878	$ 31,932
Total Liabilities	$ 48,192	$ 50,618	$ 66,878	$ 31,932

The accompanying notes are an integral part of this statement.

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

ARVIN UNION SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2018

The District was established in about 1913 in the city of Arvin, located in Kern County. There were no changes in the boundaries of the District during the year ended June 30, 2018. The District is currently operating one state preschool, three elementary schools, and one intermediate school.

Governing Board

Name	Office	Term Expiration
Geri Rivera	President	2018
Toni Pichardo	Clerk	2018
Anabel Rubio	Member	2018
Ruth Harris	Member	2020
Monica Franetovich	Member	2020

Administration

Dr. Michelle McLean Superintendent	(through September 14, 2018)
Georgia Rhett Superintendent	(began September 15, 2018)
Emma Pereida-Martinez Assistant Superintendent	(began September 15, 2018)
Chris Davis Chief Business Official	

ARVIN UNION SCHOOL DISTRICT

Table D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
TK/K-3:		
Regular ADA	1,346.44	1,349.57
Extended Year Special Education	1.43	1.43
TK/K-3 Totals	1,347.87	1,351.00
Grades 4-6:		
Regular ADA	996.37	1,004.44
Extended Year Special Education	1.09	1.09
Grades 4-6 Totals	997.46	1,005.53
Grades 7 and 8:		
Regular ADA	600.59	600.73
Extended Year Special Education	0.22	0.22
Grades 7 and 8 Totals	600.81	600.95
ADA Totals	2,946.14	2,957.48

There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

ARVIN UNION SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	N/A	56,025	180	N/A	Complied
Kindergarten	36,000	N/A	56,025	180	N/A	Complied
Grade 1	50,400	N/A	54,605	180	N/A	Complied
Grade 2	50,400	N/A	54,605	180	N/A	Complied
Grade 3	50,400	N/A	54,605	180	N/A	Complied
Grade 4	54,000	N/A	54,605	180	N/A	Complied
Grade 5	54,000	N/A	54,605	180	N/A	Complied
Grade 6	54,000	N/A	54,605	180	N/A	Complied
Grade 7	54,000	N/A	58,578	180	N/A	Complied
Grade 8	54,000	N/A	58,578	180	N/A	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet its target funding.

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

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	$ 40,718,898	$ 39,635,708	$ 38,591,596	$ 37,433,544
Expenditures	39,793,543	40,142,353	39,661,882	36,804,750
Other uses and transfers out	-	-	-	-
Total outgo	39,793,543	40,142,353	39,661,882	36,804,750
Change in fund balance (deficit)	925,355	(506,645)	(1,070,286)	628,794
Ending fund balance	$ 7,702,622	$ 6,777,267	$ 7,283,912	$ 8,354,198
Available reserves (see note 2)	$ 1,322,355	$ 2,945,745	$ 2,955,124	$ 1,104,143
Available reserves as a percentage of total outgo (see note 3)	3.3%	7.3%	7.5%	3.0%
Total long-term debt	$ 79,648,153	$ 77,393,366	$ 59,856,402	$ 51,909,450
Average daily attendance at P-2	2,958	2,946	2,918	2,969

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.

The fund balance of the general fund has decreased by $1,576,931 (18.9%) over the past two years. The fiscal year 2018-2019 budget projects an increase of $925,355 (13.7%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, but projects an increase during the 2018-2019 fiscal year. Total long-term debt has increased by $25,483,916 over the past two years.

Average daily attendance has decreased by 23 over the past two years. During fiscal year 2018-2019, an increase of 12 average daily attendance is anticipated.

NOTES:

1 The budget for 2019 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

ARVIN UNION SCHOOL DISTRICT

TABLE D-4

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

	General Fund	Cafeteria Special Revenue Fund
June 30, 2018, annual financial and budget report fund balances	$ 569,732	$ 452,664
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Prior year accounts receivable	(55,763)	(6,660)
Net adjustments and reclassifications	(55,763)	(6,660)
June 30, 2018, audited financial statement fund balances	$ 513,969	$ 446,004

This schedule rovides the information necessar to reconcile the fund balances of all funds and the total liabilities balance of the eneral lon -term debt account rou as re orted on the SACS re ort to the audited financial statements. Funds that required no adjustment are not presented.

No charter schools are chartered by Arvin Union School District.

Charter Schools	Included In Audit?
None	N/A

Subrecipients

The District did not provide any awards to subrecipients.

De Minimis Cost Rate

The District did not elect to use the 10% de minimis cost rate.

Excess Sick Leave

The District did not authorize or accrue any excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5 for the District's employees who are members of the California State Teachers' Retirement System (CalSTRS).

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through California Department of Education (CDE):				
School Breakfast Program	10.553	13526	$ -	$ 669,718
National School Lunch Program	10.555	13523,13524	-	1,480,626
Total Passed Through California Department of Education (CDE)			-	2,150,344
Total U. S. Department of Agriculture			-	2,150,344
Total Child Nutrition Cluster			-	2,150,344
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through County Office of Education:				
Medical Assistance Program (Billing Option)	93.778	10013	-	145,291
Total U. S. Department of Health and Human Services			-	145,291
Total Medicaid Cluster			-	145,291
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through California Department of Education (CDE):				
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	13379	-	463,659
Special Ed: IDEA Preschool Local Entitlement	84.027	13682	-	50,443
Special Education - Preschool Grants	84.173	13430	-	6,612
Total Passed Through California Department of Education (CDE)			-	520,714
Total U. S. Department of Education			-	520,714
Total Special Education (IDEA) Cluster			-	520,714
OTHER PROGRAMS:				
U. S. Department of Education				
Direct Program:				
21st Century Community Learning Centers	84.287	14349	-	63,964
Passed Through California Department of Education (CDE):				
Title I Grants to Local Educational Agencies	84.010	14329	-	1,824,990
Migrant Education - State Grant Program - Regular	84.011	14326	-	816,707
Even Start - Migrant Education (MEES)	84.214	10030	-	78,853
English Language Acquisition Grants	84.365	10084	-	168,079
English Language Acquisition Grants	84.365	14346	-	347
Improving Teacher Quality State Grants	84.367	14341	-	171,662
Total Passed Through California Department of Education (CDE)			-	3,060,638
Total U. S. Department of Education			$ -	$ 3,124,602
U. S. Department of Agriculture				
Passed Through California Department of Education (CDE):				
Child and Adult Care Food Program	10.558	13393	$ -	$ 214,123
Child Nutrition Equipment Assistance Grants	10.579	14906	-	48,473
Fresh Fruit and Vegetable Program	10.582	14968	-	146,963
Total Passed Through California Department of Education (CDE)			-	409,559
Total U. S. Department of Agriculture			-	409,559
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 6,350,510

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Arvin Union School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Arvin Union School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The District did not participate in any loan or loan guarantee programs as described in Title 2, Code of Federal Regulations, Part 200.502(b) during the year ended June 30, 2018.

Reconciliation

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 represent the difference between funds received and funds expended in the current year for programs which are classified as entitlements and therefore are not subject to revenue deferral. The unspent balances are reported as legally restricted ending balances with the General Fund.

	Federal CFDA Number	Amount
Total Federal Revenues - Statement of Revenues, Expenditures and Changes in Fund Balances		$ 6,243,215
Reconciling items: Medical Assistance Program	93.778	107,295
Total Expenditures of Federal Awards		$ 6,350,510

Other Independent Auditor's Reports

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928
(559) 438-8740

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*

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arvin Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Arvin Union School District's basic financial statements and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arvin Union 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 the Arvin Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arvin Union 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arvin Union 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*.

Arvin Union School District's Response to Findings

Arvin Union School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Arvin Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928
(559) 438-8740

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Arvin Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Arvin Union School District's major federal programs for the year ended June 30, 2018. Arvin Union 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 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 Arvin Union 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 the Arvin Union 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 the Arvin Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Arvin Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Arvin Union 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 the Arvin Union 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 the Arvin Union 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 considered 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.

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

Linger, Peterson & Shrum
Certified Public Accountants
575 East Locust Avenue, Suite 308
Fresno, California 93720-2928

Independent Auditor's Report on State Compliance

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** 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 State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Basis for Qualified Opinion on State Compliance

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirements regarding the following:

Finding No.	Compliance Requirement
2018-002	Classroom Teacher Salaries

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on State Compliance for Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on State Compliance paragraph, the Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other State Programs identified in the Auditor's Responsibility section above, for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other State Programs

In our opinion, Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above, for each of it's other State Programs identified in the Auditor's Responsibility section, for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

Arvin Union School District's Response to Findings

Arvin Union School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Arvin Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

Findings and Recommendations Section

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	X	Yes	____	
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Migrant Education--State Grant Program
84.027, 84,173	Special Education (IDEA) Cluster
84.010	Title I Grants to Local Educational Agencies (Title I of IASA)

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	____	Yes	X	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	X	Yes	____	No
Type of auditor's report issued on compliance for state programs:	Qualified			

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of "Government Auditing Standards."

2018-001 Internal Control [30000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

A strong internal control structure is necessary to provide management with reasonable, but not absolute, assurance that financial data are recorded, processed, summarized, and reported consistent with the assertions embodied in the financial statements.

Condition

There is inadequate control over financial transactions of the Student Body Funds because of a general lack of segregation of duties due to a limited number of employees. We believe this to be a significant deficiency.

Questioned Costs

There were no questioned costs related to this finding.

Perspective

This weakness applies to the entire internal control structure over the student body funds.

Effect

If financial data were recorded, processed, summarized, or reported in a manner which was not consistent with the assertions embodied in the financial statements, management may not be able to detect such errors within a reasonable period of time.

Cause

There are not enough District employees involved in these funds to adequately separate the duties. This finding is a repeat finding for this District, and has been reported previously for June 30, 2016. (Finding 2016-001)

Recommendation

While we realize that budgetary considerations may preclude the hiring of additional employees, we still must advise the Administration of this situation and recommend that duties be segregated as much as possible in order to enhance internal controls.

Views of Responsible Officials and Planned Corrective Actions

The Administration has segregated duties as much as possible with existing personnel, and believes that it is impractical and not cost effective to increase the number of employees. Management is aware of the potential risk of not having the proper segregation of duties, and has incorporated controls to reduce the risk.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no Federal award findings and questioned costs.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with State program rules and regulations.

2018-002 Classroom Teacher Salaries [61000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

For an elementary school district, 60% of the district's current expense of education should be for salaries of classroom teachers, as set forth in Education Code Section 41372 (b)(1).

Condition

The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The percentage should have been at least 60%, and it was only 56.36%.

Questioned Costs

The questioned cost is the deficiency amount of $1,195,408.80.

Perspective

Minimum percentage required		60.00 %
Percentage spent by this District		56.36
Percentage below the minimum		3.64 %
District's current expense of education after reductions	$ 32,840,901.14	
Deficiency amount	$ 1,195,408.80	

Effect

The District did not pay out 60% of the District's current expense of education for salaries of classroom teachers. The District was deficient by $1,195,408.80. The District may be required to add the deficient amount of $1,195,408.80 to the amounts to be expended for salaries of classroom teachers during 2018-2019. This finding is a repeat finding for this program and has been reported previously for June 30, 2017. (Finding 2017-004)

Cause

The new Local Control Funding Formula has increased the District's revenue and changed the allowable and required uses of the revenues, thus affecting the ratio of classroom expenditures vs. operating expenditures. More funding is counted in this percentage than ever before, which makes it harder to meet.

Recommendation

The District should take steps to remedy this situation by being pro-active in ensuring that when additional programs and services for students are being added, that more attention be taken to ensure additional funds are being directed toward classroom expenditures. Also, as State Teacher Retirement contribution rates increase over the next several years, more funds will be spent on classroom expenditures each year as well. For this year, the District could apply for an "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries."

Views of Responsible Officials and Planned Corrective Actions

The District completed the "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries." The District management also believes that this formula needs to be updated to more appropriately reflect the adjustments and changes to LCAP.

ARVIN UNION SCHOOL DISTRICT

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2017-001 Internal Control [30000] There is inadequate control over financial transactions of the Student Body Funds because of a general lack of segregation of duties due to a limited number of employees. We believe this to be a material weakness. This finding is a repeat finding for this District, and has been reported previously for June 30, 2017. (Finding 2017-001)	Not Implemented	There are not enough District employees involved in these funds to adequately separate the duties.
2017-002 Internal Control [30000] Reimbursement to the Haven Drive Middle School Student Body Fund. Finding 2016-004 was not implemented as the General Fund needed to reimburse the Haven Drive Student Body for inappropriate expenditures in the amount of $1,216.	Implemented	
2017-003 Miscellaneous [60000] GASB 45 Actuarial Valuation. The District's management did not obtain an actuarial report per GASB 45 reporting requirements.	Implemented	
2017-004 Classroom Teacher Salaries [61000] The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The percentage should have been at least 60%, and it was only 54.65%. The District received the approval for the waiver on December 6, 2017.	Not Implemented	See current year finding. The District management believes that this formula needs to be updated to more appropriately reflect the adjustments and changes to LCAP.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Arvin Union School District (the "District") in connection with the execution and delivery of $4,100,000 aggregate principal amount of General Obligation Bonds Election of 2014, Series 2019C (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on November 19, 2019 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Original Purchaser described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the entity submitting the successful bid for the purchase of the Bonds in a qualified response to the Notice of Sale and named in the Certificate of Award (the "Original Purchaser") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"Dissemination Agent" shall mean the District, or any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing. Initially, the Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

"Financial Obligation" means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Material Event" means any of the events listed in Section 6(b) of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Designated Material Event or Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"State" shall mean the State of California.

SECTION 3. CUSIP® Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated December 3, 2019.

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 270 days after the end of the District's Fiscal Year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2019, to provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the EMMA System as soon as practical after it has been made available to the District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations for the preceding fiscal year;

(ii) General fund budget and actual results for the preceding fiscal year;

(iii) Average daily attendance and State funding information, as may be reasonably available, for the preceding fiscal year;

(iv) Assessed valuations for the current fiscal year; and

(v) Largest local secured taxpayers for the current fiscal year.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the EMMA System or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Material Events and Material Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following Designated Material Events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity provides, or their failure to perform;

(v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;

(vi) Tender offers;

(vii) Defeasances

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) 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.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following Material Events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations affecting the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; or

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Upon the occurrence of a Designated Material Event described in Section 6(a) hereof, or if the District determines that knowledge of a Material Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence of the Designated Material Event or Material Event file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Designated Material Event described in subsection (a)(vii) or a Material Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would 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 amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report 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.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Designated Material Event or a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event or Material Event.

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

SECTION 11. Default. The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Original Purchaser and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: December 18, 2019

ARVIN UNION SCHOOL DISTRICT

By: ____
Superintendent

ACCEPTED:

FIELDMAN, ROLAPP & ASSOCIATES, INC.
doing business as APPLIED BEST PRACTICES, as
Dissemination Agent

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	ARVIN UNION SCHOOL DISTRICT
Name of Issue:	$4,100,000 General Obligation Bonds Election of 2014, Series 2019C (Bank Qualified)
Date of Issuance:	December 18, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated December 18, 2019. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: _______________________________

[ISSUER/DISSEMINATION AGENT]

By: _______________________________________

cc: Arvin Union School District

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount or Maturity Value 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. Such information is not incorporated herein by reference.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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).

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By
____
Authorized Officer