

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: S&P: “A”
(See “RATING” 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 first 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 Bonds are being sold pursuant to competitive bid, as set forth in the official Notice of Sale of the District, a copy of which is appended hereto as APPENDIX F – “NOTICE OF SALE” (the “Notice of Sale”). Prospective purchasers of the Bonds are directed to the terms of the Notice of Sale respecting the process for submission of qualifying bids, the required terms of the Bonds, the manner of award and other matters. The Bonds may be subject to redemption as specified in the Notice of Sale. Bidders for the purchase of the Bonds may specify a requirement for the purchase of municipal bond insurance as a part of their proposals.

As more fully described herein, the District may obtain an insurance policy, which, if obtained, would insure the scheduled payment of principal and interest with respect to the Bonds when due. The District’s decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or fewer than all of the Bonds.

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.

The Bonds will be offered when, as and if issued and received by the Original Purchaser (as defined herein), 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 ____, 2019

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

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

\$ _____ **Serial Bonds**

| <u>Maturity Date</u> <u>(November 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP No.†</u> <u>(043303)</u> |
|---|-------------------------|----------------------|--------------|--------------------------------------|
|---|-------------------------|----------------------|--------------|--------------------------------------|

\$ _____ % **Term Bonds Maturing November 1, 20____, Priced to Yield** ____ %; **CUSIP No. 043303** _____

* Preliminary; subject to change.

† 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.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the District that has been deemed final by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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.

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

Board of Trustees

Toni Pichardo, President
Monica Franetovich, Clerk
Liliana Nuñez, Member
Ruth Harris, Member
Geri Rivera, Member

District Administrators

Georgia Rhett, Superintendent
Chris Davis, Chief Business Officer

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TABLE OF CONTENTS

| | Page |
|---|-------------|
| INTRODUCTION | 1 |
| THE BONDS | 2 |
| Authority for Issuance and Security for the Bonds..... | 2 |
| Purpose of Issue | 2 |
| Description of the Bonds | 2 |
| Payment of the Bonds | 2 |
| Optional Redemption..... | 3 |
| Mandatory Sinking Fund Redemption..... | 3 |
| Selection of Bonds for Redemption..... | 4 |
| Notice of Redemption..... | 4 |
| Partial Redemption of Bonds..... | 5 |
| Effect of Notice of Redemption..... | 5 |
| Transfer and Exchange | 5 |
| Discharge and Defeasance | 6 |
| Book-Entry-Only System..... | 6 |
| ESTIMATED SOURCES AND USES..... | 7 |
| PLAN OF FINANCE..... | 7 |
| DEBT SERVICE SCHEDULE..... | 10 |
| SECURITY AND SOURCES OF PAYMENT FOR THE BONDS | 10 |
| General..... | 10 |
| Assessed Valuations..... | 11 |
| Effect of Natural Disaster on Assessed Valuations | 14 |
| Appeals of Assessed Value; Proposition 8 Reductions | 15 |
| Proposition 50 and Proposition 171 | 16 |
| <i>Ad Valorem</i> Property Taxes, Tax Rates, Levies, Collections and Delinquencies..... | 16 |
| Tax Charges and Delinquencies..... | 17 |
| Teeter Plan | 18 |
| Tax Rates | 19 |
| Certain Existing Obligations..... | 19 |
| Direct and Overlapping Debt..... | 20 |
| CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS..... | 21 |
| Article XIII A of the California Constitution..... | 21 |
| <i>County of Orange v. Orange County Assessment Appeals Board No. 3</i> | 22 |
| Legislation Implementing Article XIII A | 22 |
| Article XIII B of the California Constitution..... | 23 |
| Unitary Property | 23 |
| Proposition 46..... | 23 |
| Proposition 39..... | 23 |
| Proposition 98..... | 24 |
| Propositions 1A and 22..... | 25 |
| Proposition 30 and Proposition 55..... | 26 |
| Proposition 2..... | 27 |

| | |
|--|-----|
| Proposition 51 | 27 |
| Article XIII C and XIII D of the California Constitution | 28 |
| Future Initiatives | 29 |
| THE KERN COUNTY TREASURY POOL | 29 |
| LEGAL OPINION | 32 |
| TAX MATTERS | 32 |
| Federal Income Taxes | 32 |
| State Taxes | 32 |
| Original Issue Discount | 32 |
| Original Issue Premium | 33 |
| Ancillary Tax Matters | 33 |
| Changes in Law and Post-Issuance Events | 34 |
| BOND INSURANCE | 34 |
| Bond Insurance Policy | 34 |
| LEGAL MATTERS | 34 |
| Continuing Disclosure | 34 |
| Limitation on Remedies; Amounts Held in the County Treasury Pool | 34 |
| California Senate Bill 222 | 35 |
| Special Revenues | 35 |
| LEGALITY FOR INVESTMENT | 37 |
| RATING | 37 |
| NO LITIGATION | 37 |
| UNDERWRITING | 37 |
| BANK QUALIFIED | 38 |
| MUNICIPAL ADVISOR | 38 |
| OTHER INFORMATION | 39 |
| | |
| APPENDIX A – THE DISTRICT | A-1 |
| APPENDIX B – FORM OF BOND COUNSEL OPINION | B-1 |
| APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 | C-1 |
| APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT | D-1 |
| APPENDIX E – BOOK-ENTRY-ONLY SYSTEM | E-1 |
| APPENDIX F – NOTICE OF SALE | F-1 |

\$4,100,000*
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.”

* Preliminary; subject to change.

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 XIII A 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, 20____, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 20____, 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**

⁽¹⁾ Maturity.

* Preliminary; subject to change.

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 | |
| Net Original Issue Premium/Discount | _____ |
| Total Sources | ===== |

Uses of Funds

| | |
|---|-------|
| Deposit to Building Fund | |
| Deposit to Debt Service Fund | |
| Deposit to Costs of Issuance Account ⁽¹⁾ | _____ |
| Total Uses | ===== |

⁽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, if any, 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:

| <u>Year Ending November 1</u> | <u>Outstanding Bonds</u> | <u>The Bonds</u> | | <u>Total Debt Service⁽¹⁾</u> |
|-----------------------------------|--------------------------|-----------------------------|-----------------------------|---|
| | | <u>Principal</u> | <u>Interest</u> | |
| 2020 | \$ 1,451,200 | | | |
| 2021 | 1,289,425 | | | |
| 2022 | 1,008,325 | | | |
| 2023 | 1,049,900 | | | |
| 2024 | 1,028,700 | | | |
| 2025 | 1,062,575 | | | |
| 2026 | 1,133,825 | | | |
| 2027 | 1,191,444 | | | |
| 2028 | 1,237,282 | | | |
| 2029 | 1,287,275 | | | |
| 2030 | 1,332,219 | | | |
| 2031 | 1,395,994 | | | |
| 2032 | 1,443,957 | | | |
| 2033 | 1,510,444 | | | |
| 2034 | 1,585,820 | | | |
| 2035 | 1,634,682 | | | |
| 2036 | 1,702,057 | | | |
| 2037 | 1,772,832 | | | |
| 2038 | 1,852,069 | | | |
| 2039 | 1,925,919 | | | |
| 2040 | 2,003,156 | | | |
| 2041 | 2,078,431 | | | |
| 2042 | 2,156,856 | | | |
| 2043 | 2,263,256 | | | |
| 2044 | 2,342,431 | | | |
| 2045 | 2,274,406 | | | |
| 2046 | 2,350,506 | | | |
| 2047 | 2,024,213 | | | |
| 2048 | 1,194,969 | | | |
| Total | <u>\$46,584,161</u> | <u> </u> | <u> </u> | <u> </u> |

⁽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 XIII A 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.

* Preliminary; subject to change.

**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**

| | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>2019-20 Assessed Valuation</u> | <u>% of Total⁽¹⁾</u> |
|-----|-----------------------------------|-------------------------|---------------------------------------|-------------------------------------|
| 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 |
| | | | <u>\$799,636,554</u> | <u>54.03%</u> |

⁽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 XIII A 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 XIII A.

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

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

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

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

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

***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

| <u>Fiscal Year</u> | <u>Secured Tax Charge⁽²⁾</u> | <u>Amt. Del. June 30</u> | <u>% Del. June 30</u> |
|--------------------|---|--------------------------|-----------------------|
| 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

| | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| General | 1.000000% | 1.000000% | 1.000000% | 1.000000% | 1.000000% |
| 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 | <u>\$74,024,565</u> | <u>\$8,027,196</u> | <u>\$2,279,917</u> | <u>\$79,771,844</u> |

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

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 11/1/19</u> |
|--|----------------------|-----------------------------------|
| 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 |
| | | |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | |
| 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 |
| | | |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u> | | \$ 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 XIII A of the California Constitution

Article XIII A 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 XIII A 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 XIII A 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 XIII A. 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 XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 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 XIII B of the California Constitution

Under Article XIII B 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 XIII B 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 XIII B, 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 XIII A. Under this amendment to Article XIII A, 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 XIII A, 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 XIII A has been added to exempt the one percent (1%) *ad valorem* tax limitation that Section 1(a) of Article XIII A 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 XIII B 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 XIII C and XIII D 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 XIII C and XIII D 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 XIII A, Article XIII B, Article XIII C, Article XIII D 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 September 30, 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 September 30, 2019.

KERN COUNTY TREASURER – TAX COLLECTOR
Pooled Cash Portfolio Report
(as of September 30, 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 | \$62,119,520 | \$62,119,520 | \$62,119,520 | 2.28% | 2.01% | \$65 Million | 1 |
| California Asset Management Program | 224,300,078 | 224,300,078 | 224,300,078 | 2.12 | 7.25 | 10% | 1 |
| CalTRUST | 389,995 | 389,995 | 389,995 | 1.97 | 0.01 | 10% | 1 |
| U.S. Treasuries | 451,000,000 | 446,536,719 | 452,159,230 | 2.05 | 14.62 | 100% | 622 |
| Federal Agencies | 1,264,622,000 | 1,263,776,769 | 1,274,843,386 | 2.02 | 41.22 | 75% | 643 |
| Municipal Bonds | 42,000,000 | 42,323,890 | 43,497,480 | 2.85 | 1.41 | 10% | 1,107 |
| Supranationals | 151,175,000 | 152,583,188 | 153,877,682 | 1.98 | 4.98 | 10% | 785 |
| Negotiable CDs | 150,000,000 | 150,000,000 | 150,154,371 | 2.44 | 4.85 | 30% | 121 |
| Commercial Paper | 50,000,000 | 49,338,417 | 49,731,977 | 2.36 | 1.61 | 40% | 95 |
| Corporate Notes | 623,755,000 | 622,184,775 | 633,463,288 | 2.55 | 20.48 | 30% | 895 |
| Total Securities | \$3,019,361,594 | \$3,013,553,350 | \$3,044,537,007 | 2.18% | 98.44% | - | 610 |
| Total Cash | \$48,305,321 | \$48,305,321 | \$48,305,321 | - | 1.56% | - | - |
| Total Assets | \$3,067,666,915 | \$3,061,858,672 | \$3,099,661,148 | - | 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 Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively, the “Discount

Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

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

The District may obtain a municipal bond insurance policy for the Bonds (an “Insurance Policy”), which, if obtained, would insure the scheduled payment of principal of and interest on the Bonds when due. The District’s decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such policy, and, if so, whether such policy will cover all or less than all of the Bonds.

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.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a municipal bond rating of "A" to the Bonds. Such rating reflects 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 rating 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 rating 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

_____, as Original Purchaser (the "Original Purchaser"), has agreed to purchase the Bonds from the District at the purchase price of \$_____ (being the initial principal issue amount of the Bonds, plus/minus net original issue premium/discount of \$_____ and less an underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof. The Notice of Sale attached hereto as APPENDIX F requires that the Original Purchaser purchase all of the Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Notice of Sale.

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: _____
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**

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|--------------------|---------------|---------------------|
| 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:

| <u>Name</u> | <u>Title</u> |
|---------------|------------------------|
| 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

| <u>Fiscal Year</u> | <u>Average Daily Attendance⁽¹⁾</u> |
|------------------------|---|
| 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.

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>AB 1469 Increases</u> | |
|-----------------------|-------------------|--------------------------|--------------|
| | | <u>Increase</u> | <u>Total</u> |
| 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**

| <u>Fiscal Year</u> | <u>Developer Fees Collected</u> |
|------------------------|---------------------------------|
| 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 | <u>\$37,433,544</u> | <u>\$38,591,596</u> | <u>39,635,707</u> | <u>\$41,512,137</u> |
| 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 | <u>\$36,804,750</u> | <u>\$39,661,882</u> | <u>\$40,142,353</u> | <u>\$41,177,032</u> |
| 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 | <u>\$36,228,582</u> | <u>\$36,953,839</u> | <u>\$36,906,232</u> | <u>\$40,658,898</u> | <u>\$42,116,359</u> |
| 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 | <u>\$33,052,945</u> | <u>\$36,962,551</u> | <u>\$37,144,210</u> | <u>\$39,793,543</u> | <u>\$41,320,691</u> |
| 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) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>\$ (500,000)</u> |
| 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**

| Fiscal Year | Average Daily Attendance | | | | Enrollment | |
|------------------------|---------------------------------|------------|------------|----------------------|-----------------------------|--------------------------------------|
| | 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

_____, 2019

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

Re: Arvin Union School District (Kern County, California)
\$_____ 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 \$_____ 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 XIII A 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. However, it is noted that solely for taxable years beginning before January 1, 2018, interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.
6. Bond Counsel is further of the opinion that the excess of the principal amount of any maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively, the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their advisors with respect to the state and local tax consequences of owning such Discount Bonds.

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 paragraphs 4 and 6 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 through 6, 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,

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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

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit/Table</u> |
|--|-------------|----------------------|
| FINANCIAL SECTION | | |
| Independent Auditor's Report..... | 2 | |
| Management's Discussion and Analysis (Required Supplementary Information)..... | 6 | |
| <u>Basic Financial Statements</u> | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position..... | 16 | Exhibit A-1 |
| Statement of Activities..... | 17 | Exhibit A-2 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds..... | 18 | Exhibit A-3 |
| Reconciliation of the Governmental Funds | | |
| Balance Sheet to the Statement of Net Position..... | 19 | Exhibit A-4 |
| Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances - Governmental Funds..... | 20 | Exhibit A-5 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances of Governmental Funds to the Statement of Activities..... | 21 | Exhibit A-6 |
| Statement of Fiduciary Net Position - Fiduciary Funds..... | 22 | Exhibit A-7 |
| Notes to the Financial Statements | 23 | |
| <u>Required Supplementary Information</u> | | |
| Budgetary Comparison Schedules: | | |
| General Fund..... | 54 | Exhibit B-1 |
| Schedule of the District's Proportionate Share of the | | |
| Net Pension Liability - California State Teachers Retirement System..... | 55 | Exhibit B-2 |
| Schedule of District's Contributions - California State Teachers Retirement System..... | 56 | Exhibit B-3 |
| Schedule of the District's Proportionate Share of the | | |
| Net Pension Liability - California Public Employees Retirement System..... | 57 | Exhibit B-4 |
| Schedule of District's Contributions - California Public Employees Retirement System.. | 58 | Exhibit B-5 |
| Schedule of Changes in the District's Total OPEB Liability | | |
| And Related Ratios -OPEB Plan | 59 | Exhibit B-6 |
| <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u> | | |
| General Fund: | | |
| Combining Balance Sheet..... | 62 | Exhibit C-1 |
| Combining Statement of Revenues, Expenditures | | |
| and Changes in Fund Balances..... | 64 | Exhibit C-2 |
| Combining Balance Sheet - All Nonmajor Governmental Funds..... | 66 | Exhibit C-3 |
| Combining Statement of Revenues, Expenditures and Changes in | | |
| Fund Balances - All Nonmajor Governmental Funds..... | 67 | Exhibit C-4 |

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

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit/Table</u> |
|---|-------------|----------------------|
| Special Revenue Funds: | | |
| Combining Balance Sheet - Nonmajor Special Revenue Funds..... | 68 | Exhibit C-5 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds..... | 69 | Exhibit C-6 |
| Budgetary Comparison Schedules: | | |
| Child Development Fund..... | 70 | Exhibit C-7 |
| Cafeteria Fund..... | 71 | Exhibit C-8 |
| Capital Projects Funds: | | |
| Combining Balance Sheet - Nonmajor Capital Projects Funds..... | 72 | Exhibit C-9 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds..... | 74 | Exhibit C-10 |
| Budgetary Comparison Schedules: | | |
| Building Fund..... | 76 | Exhibit C-11 |
| Capital Facilities Fund..... | 77 | Exhibit C-12 |
| Special Reserve Fund for Capital Outlay Projects..... | 78 | Exhibit C-13 |
| Fiduciary Funds: | | |
| Agency Funds: | | |
| Combining Statement of Changes in Assets and Liabilities..... | 79 | Exhibit C-14 |
| OTHER SUPPLEMENTARY INFORMATION SECTION | | |
| Local Education Agency Organization Structure..... | 83 | |
| Schedule of Average Daily Attendance..... | 84 | Table D-1 |
| Schedule of Instructional Time..... | 85 | Table D-2 |
| Schedule of Financial Trends and Analysis..... | 86 | Table D-3 |
| Reconciliation of Annual Financial and Budget Report With Audited Financial Statements..... | 87 | Table D-4 |
| Schedule of Charter Schools..... | 88 | Table D-5 |
| Schedule of Expenditures of Federal Awards | 89 | Table D-6 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 90 | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 92 | |
| Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)..... | 94 | |
| Independent Auditor's Report on State Compliance..... | 96 | |
| Schedule of Findings and Questioned Costs | 100 | |
| Summary Schedule of Prior Audit Findings..... | 104 | |

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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.

"Every Child Learning, Every Day, No Matter What It Takes!"

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 | <u>\$ 52,623,256</u> | <u>\$ 52,289,480</u> |
| Deferred Outflows of Resources | <u>\$ 10,653,927</u> | <u>\$ 3,991,495</u> |
| Liabilities | | |
| Current liabilities | \$ 1,951,335 | \$ 1,444,045 |
| Long-term liabilities | 79,771,844 | 59,479,340 |
| Total Liabilities | <u>\$ 81,723,179</u> | <u>\$ 60,923,385</u> |
| Deferred Inflows of Resources | <u>\$ 4,263,710</u> | <u>\$ 3,109,274</u> |
| 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 | <u>\$ (22,709,706)</u> | <u>\$ (8,128,746)</u> |

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 | <u>\$ 47,098,276</u> | <u>\$ 45,716,119</u> |
| 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 | <u>\$ 47,511,070</u> | <u>\$ 49,166,418</u> |
| Changes in Net Position | <u>\$ (412,794)</u> | <u>\$ (3,450,299)</u> |

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 |
| | <u>\$ 47,511,070</u> | <u>\$ 36,526,180</u> | <u>\$ 49,166,418</u> | <u>\$ 38,873,561</u> |

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 | <u>\$ 39,865,414</u> | <u>\$ 37,821,904</u> |

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 | <u>\$ 79,771,844</u> | <u>\$ 59,479,340</u> |

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 | <u>52,623,256</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred Outflows of Resources - Pensions | 10,653,927 |
| Total Deferred Outflows of Resources | <u>10,653,927</u> |
| 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 | <u>81,723,179</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred Inflows of Resources - Pensions | 4,263,710 |
| Total Deferred Inflows of Resources | <u>4,263,710</u> |
| 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 | <u>\$ (22,709,706)</u> |

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 | | Net (Expense) Revenue and Changes in Net Position |
|-----------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| 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 | <u>47,511,070</u> | <u>210,849</u> | <u>10,774,041</u> | <u>(36,526,180)</u> |
| Total Primary Government | <u>\$ 47,511,070</u> | <u>\$ 210,849</u> | <u>\$ 10,774,041</u> | <u>(36,526,180)</u> |
| General Revenues: | | | | |
| LCFF Sources | | | | 30,609,814 |
| Federal Revenues | | | | 37,996 |
| State Revenues | | | | 2,739,313 |
| Local Revenues | | | | 2,726,262 |
| Total General Revenues | | | | <u>36,113,385</u> |
| Change in Net Position | | | | (412,795) |
| Net Position - Beginning | | | | (8,128,748) |
| Prior Period Adjustment | | | | (14,168,163) |
| Net Position - Ending | | | | <u>\$ (22,709,706)</u> |

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 | <u>13,023,307</u> | <u>5,118,503</u> | <u>18,141,810</u> |
| 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 | <u>6,246,041</u> | <u>1,032,932</u> | <u>7,278,973</u> |
| 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 | <u>6,777,266</u> | <u>4,085,571</u> | <u>10,862,837</u> |
| Total Liabilities and Fund Balances | <u>\$ 13,023,307</u> | <u>\$ 5,118,503</u> | <u>\$ 18,141,810</u> |

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 | <u>\$ (22,709,706)</u> |

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICTSTATEMENT 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 | <u>39,635,707</u> | <u>5,738,583</u> | <u>45,374,290</u> |
| 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 | <u>40,142,353</u> | <u>7,425,267</u> | <u>47,567,620</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(506,646)</u> | <u>(1,686,684)</u> | <u>(2,193,330)</u> |
| 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 | <u>\$ 6,777,266</u> | <u>\$ 4,085,571</u> | <u>\$ 10,862,837</u> |

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 liabilities. 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 | <u>31,932</u> |
| LIABILITIES: | |
| Due to Student Groups | \$ 31,932 |
| Total Liabilities | <u>31,932</u> |
| NET POSITION: | |
| Total Net Position | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

| <u>Asset Class</u> | <u>Examples</u> | <u>Estimated Useful Life in Years</u> |
|---------------------------|--|---------------------------------------|
| 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 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

| | | |
|-------------------------|---|----------|
| 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|---|----------------------------|
| 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 unanticipated increase as well as Services.

Building Fund: There were unexpected operating costs.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--|---------------------|----------------------|
| 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 | | <u>\$ 11,270,493</u> |

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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Percentage in One Issuer</u> |
|-------------------------------------|-------------------------|--|---|
| 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 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 |
|--|-----------------------|---------------------|-------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| 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 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 |
| | \$ | <u>1,329,473</u> |

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 | <u>\$ 5,398,990</u> | <u>\$ 5,398,990</u> |

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 | <u>\$ 1,363,852</u> | <u>\$ 411,803</u> | <u>\$ 1,775,655</u> |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 |
|---|----------------------|---------------------|------------------|-------------------|-----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| 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 | <u>\$ 74,024,565</u> | <u>\$ 8,027,196</u> | <u>2,279,917</u> | <u>79,771,844</u> | <u>2,378,478</u> |

*Restated for GASB 75

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

| <u>Liability</u> | <u>Activity Type</u> | <u>Fund</u> |
|---------------------------------------|----------------------|------------------------------|
| 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:

| <u>Bond</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate %</u> |
|------------------------------|-----------------------|--------------------------|----------------------------|
| 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 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

| 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 |
| | <u>\$ 25,713,058</u> | <u>\$ 14,757,223</u> | <u>\$ -</u> | <u>\$ 560,000</u> | <u>\$ 14,194,223</u> |

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

| Year Ending June 30, | General Obligation Bonds | | |
|----------------------|--------------------------|----------------------|----------------------|
| | 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 | <u>\$ 14,194,223</u> | <u>\$ 28,463,101</u> | <u>\$ 42,657,324</u> |

| 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 | <u>\$ 3,521,493</u> |

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 | <u>\$ 1,781,199</u> | <u>\$ 193,345</u> | <u>\$ 1,974,544</u> |

Rental Expenditures in 2018 \$ 352,326

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|--------------|
| 2019 | \$ 377,062 | \$ 7,232 | \$ 384,294 |

5. Early Retirement Incentive

The Board has adopted an early retirement incentive program. Under the State Teachers' Retirement 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.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|--------------|
| 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:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------|
| 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 <u>Jan. 1, 2013</u> | On or After <u>Jan. 1, 2013</u> |
| Hire Date | | |
| 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 <u>Jan. 1, 2013</u> | On or After <u>Jan. 1, 2013</u> |
| Hire Date | | |
| 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

| <u>Year Ended June 30,</u> | <u>Contribution Rate</u> | <u>Contribution Amount</u> |
|--------------------------------|------------------------------|--------------------------------|
| 2016 | 4.410% | 646,069 |
| 2017 | 6.000% | 821,459 |
| 2018 | 8.167% | 1,096,666 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 | <u>\$ 2,943,422</u> | <u>672,000</u> | <u>3,615,422</u> |

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 | <u>\$ 34,670,918</u> |

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 | | | CalPERS |
|--------------------------|--------------------------------------|-----------------------------------|------------------------------------|---------|
| | District's Proportionate Share | State's Proportionate Share | Total For District Employees | |
| 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% |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 | <u>\$ 3,259,636</u> | <u>1,618,945</u> | <u>4,878,581</u> |

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 | <u>\$ 8,125,602</u> | <u>\$ 2,528,325</u> | <u>\$ 10,653,927</u> |

| | 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 Resources | <u>\$ (2,432,899)</u> | <u>\$ (1,830,811)</u> | <u>\$ (4,263,710)</u> |

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:

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

| Year Ended June 30 | Deferred Outflows of Resources | | Deferred Inflows of Resources | | Net Effect on Expenses |
|-----------------------|--------------------------------|-----------|-------------------------------|-------------|---------------------------|
| | CalSTRS | CalPERS | CalSTRS | CalPERS | |
| 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:

| Valuation Date Measurement Date Actuarial Cost Method Actuarial Assumptions: | CalSTRS | CalPERS |
|---|--|--|
| | June 30, 2016 June 30, 2017 Entry Age Normal | June 30, 2016 June 30, 2017 Entry Age Normal |
| 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 reflect 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

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

| | <u>CalSTRS</u> | <u>CalPERS</u> |
|-----------------------|----------------|----------------|
| 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 |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 | <u>\$ 31,974,311</u> | <u>\$ 22,980,532</u> | <u>\$ 8,993,779</u> |

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.

| <u>Position Vacated</u> | <u>Age</u> | <u>Service Credit</u> | <u>Retired Employees</u> | | <u>Replacement Employees (If Applicable)</u> | |
|-------------------------|------------|---------------------------|--------------------------|------------------|--|------------------|
| | | | <u>Salary</u> | <u>Benefits</u> | <u>Salary</u> | <u>Benefits</u> |
| 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 | | | <u>\$ 261,675</u> | <u>\$ 17,712</u> | <u>\$ 143,265</u> | <u>\$ 52,740</u> |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 | \$ | <u>218,952</u> |

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 Certificated 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 |

ARVIN UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

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 | <u>23,688,090</u> |
| Changes for the year: | |
| Service cost | 756,949 |
| Interest | 947,524 |
| Benefit payments | <u>(867,072)</u> |
| Net changes | <u>837,401</u> |
| Balance at June 30, 2018 | <u>\$ 24,525,491</u> |

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 Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point-higher (5.00%) than the current discount rate:

| | 1% Decrease <u>3.00%</u> | Discount Rate <u>4.00%</u> | 1% Increase <u>5.00%</u> |
|----------------------|-----------------------------|-------------------------------|-----------------------------|
| 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 <u>4.00%</u> | Healthcare Cost Trend Rate <u>5.00%</u> | 1% Increase <u>6.00%</u> |
|----------------------|-----------------------------|--|-----------------------------|
| 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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

M. Compensated Absences

Compensated absences at June 30, 2018 consisted of:

| Classified | Compensated Absences | Benefits | Totals |
|------------|-------------------------|-----------|------------|
| | \$ 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 | <u>221,760</u> |
| Less amount held by Kern County Auditor-Controller | (433,261) |
| Net Contingent Liability | <u><u>\$ (211,501)</u></u> |

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 previously reported | \$ (8,128,748) |
| Prior period adjustment for (OPEB) | <u>(14,168,163)</u> |
| Restated deficit balance June 30, 2017 | <u><u>\$ (22,296,911)</u></u> |

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 | | <u>303,359</u> |
| Totals | \$ | <u><u>3,458,011</u></u> |

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:

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

| | |
|------------------------|---|
| 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 | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| 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 | <u>36,966,232</u> | <u>37,588,929</u> | <u>39,635,707</u> | <u>2,046,778</u> |
| 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 | <u>37,144,210</u> | <u>37,435,959</u> | <u>40,142,353</u> | <u>(2,706,394)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(177,978)</u> | <u>152,970</u> | <u>(506,646)</u> | <u>(659,616)</u> |
| Other Financing Sources (Uses): | | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 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 | <u>\$ 7,105,934</u> | <u>\$ 7,436,882</u> | <u>\$ 6,777,266</u> | <u>\$ (659,616)</u> |

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

EXHIBIT B-2

| | 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 | <u>\$ 40,924,358</u> | <u>\$ 35,916,023</u> | <u>\$ 30,303,000</u> | <u>\$ 29,325,000</u> |
| 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
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

EXHIBIT B-3

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

EXHIBIT B-4

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

EXHIBIT B-5

| | 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) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| 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
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 SINGLE EMPLOYER PLAN
 LAST TEN FISCAL YEARS *

EXHIBIT B-6

| | <u>Fiscal Year Ended</u> <u>2018</u> |
|---|---|
| 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 | <u>(867,072)</u> |
| Net change in total OPEB liability | 837,401 |
| Total OPEB liability - beginning | 23,688,090 |
| Total OPEB liability - ending | <u>\$ 24,525,491</u> |
| | |
| 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 | <u>6,760,009</u> | <u>1,117</u> |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 1,363,852 | \$ - |
| Due to Other Funds | 4,779,003 | - |
| Unearned Revenue | 103,186 | - |
| Total Liabilities | <u>6,246,041</u> | <u>-</u> |
| 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 | <u>513,968</u> | <u>1,117</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,760,009</u> | <u>\$ 1,117</u> |

EXHIBIT C-1

| 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 |
| <u>1,339,000</u> | <u>3,099,324</u> | <u>5,023,310</u> |
| <u>2,429,938</u> | <u>3,832,243</u> | <u>13,023,307</u> |
| | | |
| \$ - | \$ - | \$ 1,363,852 |
| - | - | 4,779,003 |
| - | - | 103,186 |
| <u>-</u> | <u>-</u> | <u>6,246,041</u> |
| | | |
| - | - | 5,000 |
| - | - | 186,262 |
| - | 3,832,243 | 4,375,319 |
| 2,429,938 | - | 2,429,938 |
| - | - | (219,253) |
| <u>2,429,938</u> | <u>3,832,243</u> | <u>6,777,266</u> |
| <u>\$ 2,429,938</u> | <u>\$ 3,832,243</u> | <u>\$ 13,023,307</u> |

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 |
|--|-----------------------------|---------------------------------|
| | <u> </u> | <u> </u> |
| 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 | <u>39,622,013</u> | <u>55</u> |
| 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 | <u>40,134,353</u> | <u>8,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(512,340)</u> | <u>(7,945)</u> |
| Net Change in Fund Balance | (512,340) | (7,945) |
| Fund Balance, July 1 | 1,026,308 | 9,062 |
| Fund Balance, June 30 | <u>\$ 513,968</u> | <u>\$ 1,117</u> |

EXHIBIT C-2

| 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 |
| <u>6,524</u> | <u>7,115</u> | <u>39,635,707</u> |
| - | - | 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 |
| <u>-</u> | <u>-</u> | <u>40,142,353</u> |
| 6,524 | 7,115 | (506,646) |
| 6,524 | 7,115 | (506,646) |
| 2,423,414 | 3,825,128 | 7,283,912 |
| <u>\$ 2,429,938</u> | <u>\$ 3,832,243</u> | <u>\$ 6,777,266</u> |

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

| | Special Revenue Funds | Debt Service Fund <u>Bond Interest & Redemption</u> | 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 | <u>1,175,681</u> | <u>900,558</u> | <u>3,042,264</u> | <u>5,118,503</u> |
| 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 | <u>684,221</u> | <u>-</u> | <u>348,711</u> | <u>1,032,932</u> |
| 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 | <u>491,460</u> | <u>900,558</u> | <u>2,693,553</u> | <u>4,085,571</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,175,681</u> | <u>\$ 900,558</u> | <u>\$ 3,042,264</u> | <u>\$ 5,118,503</u> |

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 | <u>3,188,559</u> | <u>907,590</u> | <u>1,642,434</u> | <u>5,738,583</u> |
| 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 | <u>3,323,487</u> | <u>1,005,231</u> | <u>3,096,549</u> | <u>7,425,267</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(134,928)</u> | <u>(97,641)</u> | <u>(1,454,115)</u> | <u>(1,686,684)</u> |
| 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 | <u>\$ 491,460</u> | <u>\$ 900,558</u> | <u>\$ 2,693,553</u> | <u>\$ 4,085,571</u> |

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 | <u>304,239</u> | <u>871,442</u> | <u>1,175,681</u> |
| 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 | <u>258,783</u> | <u>425,438</u> | <u>684,221</u> |
| 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 | <u>45,456</u> | <u>446,004</u> | <u>491,460</u> |
| Total Liabilities and Fund Balances | <u>\$ 304,239</u> | <u>\$ 871,442</u> | <u>\$ 1,175,681</u> |

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 | <u>488,185</u> | <u>2,700,374</u> | <u>3,188,559</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction | 480,045 | - | 480,045 |
| Instruction - Related Services | 54,752 | - | 54,752 |
| Pupil Services | - | 2,788,690 | 2,788,690 |
| Total Expenditures | <u>534,797</u> | <u>2,788,690</u> | <u>3,323,487</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(46,612)</u> | <u>(88,316)</u> | <u>(134,928)</u> |
| 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 | <u>\$ 45,456</u> | <u>\$ 446,004</u> | <u>\$ 491,460</u> |

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-7

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|------------------|------------------|---|
| Revenues: | | | |
| Other State Revenue | \$ 436,426 | \$ 485,263 | \$ 48,837 |
| Other Local Revenue | - | 2,922 | 2,922 |
| Total Revenues | <u>436,426</u> | <u>488,185</u> | <u>51,759</u> |
| 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 | <u>436,425</u> | <u>534,797</u> | <u>(98,372)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1</u> | <u>(46,612)</u> | <u>(46,613)</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 1 | (46,612) | (46,613) |
| Fund Balance, July 1 | 92,068 | 92,068 | - |
| Fund Balance, June 30 | <u>\$ 92,069</u> | <u>\$ 45,456</u> | <u>\$ (46,613)</u> |

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-8

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------|-------------------|---|
| 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 | <u>2,217,908</u> | <u>2,700,374</u> | <u>482,466</u> |
| 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 | <u>2,329,060</u> | <u>2,788,690</u> | <u>(459,630)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(111,152)</u> | <u>(88,316)</u> | <u>22,836</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (111,152) | (88,316) | 22,836 |
| Fund Balance, July 1 | 534,320 | 534,320 | - |
| Fund Balance, June 30 | <u>\$ 423,168</u> | <u>\$ 446,004</u> | <u>\$ 22,836</u> |

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

| | Building Fund | Capital Facilities Fund |
|--|-------------------|-------------------------------|
| | <u> </u> | <u> </u> |
| 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 | <u>598,037</u> | <u>1,800,305</u> |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 288,722 | \$ 59,989 |
| Total Liabilities | <u>288,722</u> | <u>59,989</u> |
| Fund Balance: | | |
| Restricted Fund Balances | 309,315 | 1,740,316 |
| Assigned Fund Balances | - | - |
| Total Fund Balance | <u>309,315</u> | <u>1,740,316</u> |
| Total Liabilities and Fund Balances | <u>\$ 598,037</u> | <u>\$ 1,800,305</u> |

| 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 |
| <u>5</u> | <u>643,917</u> | <u>3,042,264</u> |
| | | |
| \$ - | \$ - | \$ 348,711 |
| - | - | <u>348,711</u> |
| | | |
| 5 | - | 2,049,636 |
| - | 643,917 | 643,917 |
| <u>5</u> | <u>643,917</u> | <u>2,693,553</u> |
| | | |
| \$ 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 | <u>45,158</u> | <u>1,597,273</u> |
| Expenditures: | | |
| Current: | | |
| General Administration | - | 84 |
| Plant Services | 12,021 | 75,369 |
| Capital Outlay | 2,840,819 | 168,256 |
| Total Expenditures | <u>2,852,840</u> | <u>243,709</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(2,807,682)</u> | <u>1,353,564</u> |
| Net Change in Fund Balance | (2,807,682) | 1,353,564 |
| Fund Balance, July 1 | 3,116,997 | 386,752 |
| Fund Balance, June 30 | <u>\$ 309,315</u> | <u>\$ 1,740,316</u> |

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-11

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------|--------------------|---|
| Revenues: | | | |
| Other Local Revenue | \$ - | \$ 45,158 | \$ 45,158 |
| Total Revenues | <u>-</u> | <u>45,158</u> | <u>45,158</u> |
| Expenditures: | | | |
| Current: | | | |
| Services And Other Operating Expenditures | - | 12,021 | (12,021) |
| Capital Outlay | 3,116,997 | 2,840,819 | 276,178 |
| Total Expenditures | <u>3,116,997</u> | <u>2,852,840</u> | <u>264,157</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,116,997)</u> | <u>(2,807,682)</u> | <u>309,315</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| 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 | <u>\$ -</u> | <u>\$ 309,315</u> | <u>\$ 309,315</u> |

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-12

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

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

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

EXHIBIT C-13

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

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 | <u>\$ 48,192</u> | <u>\$ 50,618</u> | <u>\$ 66,878</u> | <u>\$ 31,932</u> |
| LIABILITIES | | | | |
| Due to student groups | \$ 48,192 | \$ 50,618 | \$ 66,878 | \$ 31,932 |
| Total Liabilities | <u>\$ 48,192</u> | <u>\$ 50,618</u> | <u>\$ 66,878</u> | <u>\$ 31,932</u> |

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

| <u>Name</u> | <u>Office</u> | <u>Term Expiration</u> |
|--------------------|---------------|------------------------|
| 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
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

Table D-1

| | 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 | <u>1,347.87</u> | <u>1,351.00</u> |
| Grades 4-6: | | |
| Regular ADA | 996.37 | 1,004.44 |
| Extended Year Special Education | 1.09 | 1.09 |
| Grades 4-6 Totals | <u>997.46</u> | <u>1,005.53</u> |
| Grades 7 and 8: | | |
| Regular ADA | 600.59 | 600.73 |
| Extended Year Special Education | 0.22 | 0.22 |
| Grades 7 and 8 Totals | <u>600.81</u> | <u>600.95</u> |
| ADA Totals | <u><u>2,946.14</u></u> | <u><u>2,957.48</u></u> |

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 DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**TABLE D-2**

| <u>Grade Level</u> | <u>Ed. Code 46207 Minutes Requirement</u> | <u>Ed. Code 46207 Adjusted & Reduced</u> | <u>2017-18 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Number of Days Multitrack Calendar</u> | <u>Status</u> |
|---------------------------|---|--|---------------------------------------|--|---|---------------|
| 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.

ARVIN UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

TABLE D-3

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

TABLE D-4

| | General Fund | Cafeteria Special Revenue Fund |
|--|-----------------------------|--------------------------------------|
| | <u> </u> | <u> </u> |
| 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) |
| | <u> </u> | <u> </u> |
| Net adjustments and reclassifications | <u>(55,763)</u> | <u>(6,660)</u> |
| June 30, 2018, audited financial statement fund balances | <u>\$ 513,969</u> | <u>\$ 446,004</u> |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account groups as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS AND OTHER INFORMATION
YEAR ENDED JUNE 30, 2018

TABLE D-5

No charter schools are chartered by Arvin Union School District.

| <u>Charter Schools</u> | <u>Included In Audit?</u> |
|------------------------|-------------------------------|
| 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).

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6

| 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>U. S. Department of Agriculture</u> | | | | |
| 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>U. S. Department of Health and Human Services</u> | | | | |
| 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>U. S. Department of Education</u> | | | | |
| 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>U. S. Department of Education</u> | | | | |
| 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>U. S. Department of Agriculture</u> | | | | |
| 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.

ARVIN UNION SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

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 | <u>Amount</u> |
|--|------------------------|---------------------|
| 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 | | <u>\$ 6,350,510</u> |

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
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:

| <u>Finding No.</u> | <u>Compliance Requirement</u> |
|--------------------|-------------------------------|
| 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 its 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
Fresno, California
December 10, 2018

Findings and Recommendations Section

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 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

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 | <u>\$ 1,195,408.80</u> |

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 |
|---|-----------------|--|
| <p>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)</p> | Not Implemented | <p>There are not enough District employees involved in these funds to adequately separate the duties.</p> |
| <p>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.</p> | Implemented | |
| <p>2017-003 Miscellaneous [60000] GASB 45 Actuarial Valuation. The District's management did not obtain an actuarial report per GASB 45 reporting requirements.</p> | Implemented | |
| <p>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.</p> | Not Implemented | <p>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.</p> |

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 \$_____ 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 __, 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 providers, 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 __, 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: \$_____ General Obligation Bonds Election of 2014, Series 2019C (Bank
Qualified)

Date of Issuance: December __, 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 __, 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
NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

—————
\$4,100,000*

**ARVIN UNION SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2014, SERIES 2019C
(BANK QUALIFIED)**

—————

The Arvin Union School District will receive sealed bids and electronic bids for the above-referenced bonds up to the time specified below:

SALE DATE: Tuesday, December 3, 2019
(Subject to postponement or cancellation in
accordance with this Official Notice of Sale)

TIME: 9:00 a.m. (Pacific Standard Time)

DELIVERY DATE: December 18, 2019

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

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

NOTICE IS HEREBY GIVEN that *electronic bids only* for the purchase of \$4,100,000* aggregate principal amount of Arvin Union School District (Kern County, California) General Obligation Bonds, Election of 2014, Series 2019C (Bank Qualified) (the “Bonds”) will be received by Arvin Union School District (the “District”) at the time and in the form below specified:

DATE AND TIME: *Tuesday, December 3, 2019, until 9:00 A.M. (Pacific Standard Time).**

SUBMISSION OF BIDS: Bids may be submitted (for receipt not later than the time set forth above) *electronically only* through the I-Deal LLC BiDCOMP/PARITY® system (“PARITY®”). See “FORM OF BID” herein.

ISSUE; BOOK ENTRY: \$4,100,000* consisting of fully registered bonds. The Bonds will be dated as of their date of delivery, expected to be December 18, 2019*, and will be issued in denominations of \$5,000 in principal amount or any integral multiple thereof. The Bonds will be issued through a book entry only system with no physical distribution of Bonds made to the public. The Depository Trust Company, New York, New York (“DTC”), will act as depository for the Bonds which will be held in its custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Bonds.

MATURITIES: The Bonds will mature, or be subject to mandatory sinking fund redemption, on the dates and in the amounts, as set forth in the following table. **Bidders will provide bids on the Total Principal Amount of the Bonds only.** *Each bidder is required to specify in its bid whether, for any particular year, the Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year:*

[TABLE IS ON THE FOLLOWING PAGE]

* Preliminary, subject to change.

| Principal Payment Date (November 1) | Total Principal Amount of Bonds* |
|-------------------------------------|----------------------------------|
| 2021 | \$160,000 |
| 2022 | 120,000 |
| 2023 | 20,000 |
| 2029 | 15,000 |
| 2030 | 15,000 |
| 2031 | 20,000 |
| 2032 | 30,000 |
| 2033 | 40,000 |
| 2034 | 45,000 |
| 2035 | 55,000 |
| 2036 | 65,000 |
| 2037 | 80,000 |
| 2038 | 90,000 |
| 2039 | 105,000 |
| 2040 | 115,000 |
| 2041 | 130,000 |
| 2042 | 150,000 |
| 2043 | 165,000 |
| 2044 | 185,000 |
| 2045 | 350,000 |
| 2046 | 380,000 |
| 2047 | 845,000 |
| 2048 | 920,000 |
| TOTAL | \$4,100,000 |

ADJUSTMENT OF PRINCIPAL AMOUNT AND OF MATURITIES: The principal amounts set forth above for the Bonds may be adjusted either upward or downward in order to meet tax rate requirements after award of the Bonds has been made to the successful bidder (“Purchaser”). The Purchaser will be notified of the actual principal amounts and maturity schedule relating to the Bonds within twenty-six (26) hours after the expiration of the time prescribed for the receipt of proposals. Any increase or decrease will be in \$5,000 increments of principal amounts. In the event of any such adjustment, no re-bidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn. The Purchaser will not be permitted to change the interest rates of the Bonds in its bid.

INTEREST: The Bonds shall bear interest, calculated using a year of 360 days comprised of twelve 30-day months, at a rate or rates to be fixed upon the sale thereof but not to

* Preliminary, subject to change.

exceed 6% per annum, payable semiannually on each November 1 and May 1, commencing May 1, 2020.

PAYMENT: Principal of, premium, if any, and interest on any Bond are payable in lawful money of the United States of America. Principal and premium, if any, is payable upon surrender thereof at maturity or earlier redemption at the office designated by U.S. Bank, National Association (the “Paying Agent”). Interest on the Bonds will be payable by check or draft of the Paying Agent mailed by first class mail postage prepaid, to the owner at the address listed on the registration books maintained by the Paying Agent for such purpose, 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 to the Paying Agent.

REGISTRATION: The Bonds will be issued as fully registered bonds as to both principal and interest. The Bonds will be issued in the book-entry system of DTC, and the ownership of the Bonds will be registered to Cede & Co.

OPTIONAL REDEMPTION*: The Bonds maturing on or before November 1, 2028 are not subject to 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 to the date of redemption, without premium.

Whenever less than all of the outstanding Bonds are designated for redemption, the Paying Agent will select the Bonds for redemption in the manner directed by the District, or in the event the District shall fail to provide such direction, in inverse order of 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.

SINKING FUND REDEMPTION: Any bidder may, at its option, specify that one or more maturities of the Bonds will consist of term bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. In the event that the bid of the Purchaser specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption on November 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading “MATURITIES,” at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

PURPOSE: A duly called election was held in the District on November 4, 2014, and thereafter canvassed pursuant to law. At such election there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in

* Preliminary, subject to change.

the ballot submitted to voters to finance the District's construction, improvement, furnishing, acquisition and equipping of certain of its public facilities (the "Project"), in the maximum aggregate principal amount of \$15,000,000 ("2014 Authorization") payable from the levy of an *ad valorem* tax against the taxable property in the District. The Bonds represent the third issue and series under the 2014 Authorization and are being issued to fund the Project and other authorized costs.

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

RATINGS: S&P Global Ratings, a Standard & Poor's Financial Services LLC business, has assigned the rating of "A" to the Bonds. **The cost of obtaining such rating will be borne entirely by the District and not by the Purchaser.**

TERMS OF SALE

INTEREST RATE: No rate of interest may be bid which exceeds 6.00% per annum. Each rate bid must be a multiple of one-twentieth of one percent (1/20%) or one-eighth of one percent (1/8%). No Bond shall bear a zero rate of interest. No Bond shall bear more than one interest rate, and all Bonds of the same maturity shall bear the same interest rate. Each Bond must bear interest at the rate specified in the bid from its dated date to its fixed maturity date.

PREMIUM BIDS. No bid shall be for less than 104% of the aggregate principal amount of the Bonds. No bid shall be for more than 111% of the aggregate principal amount of the Bonds. Bond premium received will be applied to the payment of debt service on the Bonds. No bid shall provide for original issue premium, net of purchaser's compensation and bond insurance premium, if any, which results in remaining original issue premium that exceeds interest due on the Bonds in the first three years from the date of issuance.

BOND INSURANCE. The District has applied to Assured Guaranty Municipal Corporation and Build America Mutual Assurance Company in an attempt to qualify the Bonds for a financial guaranty insurance policy. If the District and the Purchaser elect to obtain a policy of bond insurance, the insurance premium and costs for any related ratings shall be paid by the Purchaser, and the District will not have any responsibility for the payment of such premium and costs.

PURCHASER'S DISCOUNT: The Purchaser's Discount shall not exceed 2.5% of the aggregate principal amount of the Bonds.

To the extent any instructions or directions set forth on PARITY® conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about PARITY®, bidders may contact Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") at (949) 660-7300 or PARITY® at (212) 404-8102.

THE DISTRICT RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY AND COMPLETE. NONE OF THE DISTRICT, THE MUNICIPAL ADVISOR, OR NIXON PEABODY, LLP (“BOND COUNSEL”), TAKES ANY RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY® AND THAT PARITY® IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY® AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY®. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY® HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE DISTRICT, THE MUNICIPAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR ACCEPTED BY THE OFFICIAL DEADLINE FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY® AS THE OFFICIAL TIME.

BEST BID: The Bonds will be awarded to the responsible bidder offering to purchase the Bonds at the lowest true interest cost (“TIC”) to the District. The District requires that the maximum TIC for the Bonds not exceed 6.00%. The true interest cost of each bid will be determined on the basis of the present value of the aggregate future semiannual payments resulting from the interest rates specified by the bidder. The present value will be calculated to the dated date of the Bonds (assumed to be December 18, 2019*) and will be based on the proposed bid amount (par value plus any premium). For the purpose of making such determination, it shall be assumed that any Bonds designated as term Bonds by the bidder shall be deemed to be payable on the dates and in the amounts as shown under the section entitled “MATURITIES” herein. Each bidder is requested, but not required, to state in its bid the percentage TIC to the District, which shall be considered as informative only and shall not be binding on either the bidder or the District. The determination of the best bid by the District’s Municipal Advisor shall be binding and conclusive on all bidders.

RIGHT OF CANCELLATION OF SALE BY DISTRICT: The District reserves the right, in its sole discretion, at any time to cancel the public sale of the Bonds. In such event, the District shall cause notice of cancellation of this invitation for bids and the public sale of the Bonds to be communicated through PARITY® as promptly as practicable. However, no failure to publish such notice or any defect or omission therein shall affect the cancellation of the public sale of the Bonds.

* Preliminary, subject to change.

RIGHT TO MODIFY OR AMEND: The District reserves the right, in its sole discretion, to modify or amend this official Notice of Sale including, but not limited to, the right to adjust and change the principal amount and principal amortization schedule of the Bonds being offered, at any time prior to the date and time for the receipt of bids, through PARITY®.

RIGHT OF POSTPONEMENT BY DISTRICT: The District reserves the right, in its sole discretion, to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through the PARITY® system prior to the date and time for the receipt of bids. If any date is postponed, any alternative sale date will be announced through the PARITY® system at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Official Notice of Sale, except for the date of sale and except for the changes announced by through PARITY® at the time the sale date and time are announced.

RIGHT OF REJECTION: The District reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid except that no bids will be accepted later than 9:00 A.M. (Pacific Standard Time) on December 3, 2019.

PROMPT AWARD: Pursuant to authority granted by the Board of Trustees of the District (the “Board”), the Superintendent of the District, or the Superintendent’s designee, will take action awarding the Bonds or rejecting all bids not later than twenty-six (26) hours after the expiration of the time herein prescribed for the receipt of bids; provided, that the award may be made after the expiration of the specified time if the bidder shall not have given notice in writing of the withdrawal of such bid to the Board or the Superintendent.

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Bonds will be delivered to DTC for the account of the Purchaser within thirty (30) days from the date of sale thereof (assumed to be October 17, 2019). The Purchaser shall have the right, at its option, to cancel its obligation to purchase the Bonds if the Bonds are not tendered for delivery within thirty (30) days from the date of the sale thereof, and in such event the Purchaser shall be entitled to the return of the deposit accompanying his bid.

GOOD FAITH DEPOSIT: A good faith deposit (“Deposit”) in the form of a certified or cashier’s check or a wire transfer, in the amount of \$100,000, payable to the order of the Paying Agent, must be remitted by the Purchaser within 48 hours after the acceptance of its bid. The Deposit shall be cashed by the Paying Agent on behalf of the District and shall then be applied toward the purchase price of the Bonds. If, after the award of the Bonds, the Purchaser fails to complete their purchase on the terms stated in their bid, the Deposit will be retained by the District. No interest on the Deposit will accrue to any bidder.

CHANGE IN TAX EXEMPT STATUS: At any time before the Bonds are tendered for delivery, the Purchaser may disaffirm and withdraw its proposal if the interest received by private holders from Bonds of the same type and character shall be declared taxable income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a

decision of any federal court, or shall be declared taxable, or be required to be taken into account in computing federal income taxes (except alternative minimum taxes and environmental taxes payable by corporations) by any federal income tax law enacted subsequent to the date of this notice.

CLOSING PAPERS; BOND PRINTING: Each proposal will be understood to be conditioned upon the District furnishing to the Purchaser, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of delivery:

(a) The opinion of Bond Counsel, substantially in the form attached to the Preliminary Official Statement (as later defined herein) as APPENDIX A;

(b) A certificate of the District certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;

(c) A certificate of the District, signed by officers and representatives of the District, certifying that the officers and representatives have signed the Bonds whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same;

(d) The receipt of the District evidencing the receipt of the purchase price of the Bonds;

(e) A certificate of the District, certifying that there is no known litigation threatened or pending affecting the validity of the Bonds; and

(f) A certificate of the District, signed by an officer of the District, acting in his official capacity, to the effect that the Preliminary Official Statement, as of its date, and the final Official Statement (“Official Statement”), as of its date, and at all times subsequent thereto up to and including the time of the delivery of the Bonds, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CUSIP NUMBERS: The Municipal Advisor has applied for CUSIP registration on the Bonds and it is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the Purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses of printing CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the Purchaser.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION: The Purchaser will be required, pursuant to State law, to pay any fees to the California Debt and Investment Advisory Commission when due.

ESTABLISHMENT OF ISSUE PRICE:

(a) The Purchaser shall assist the District in establishing the issue price of the Bonds in accordance with applicable requirements of the Internal Revenue Code, and shall execute and deliver to the District at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in one of the forms attached hereto as Exhibit A, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the District and Bond Counsel. All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District’s Municipal Advisor identified herein and any notice or report to be provided to the District may be provided to the District’s Municipal Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

the District shall disseminate this Notice of Sale to potential Underwriters (as defined below) in a manner that is reasonably designed to reach such potential Underwriters;

all bidders shall have an equal opportunity to bid;

the District anticipates receiving bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the Competitive Sale Requirements are not satisfied, the District shall so advise the Purchaser. In such event, the District shall treat the first single price at which 10% of a Maturity (defined below) of the Bonds (the “10% test”) is sold to the public as the issue price of that Maturity, applied on a Maturity-by-Maturity basis (and if different interest rates apply within a Maturity, to each separate CUSIP number within that Maturity), EXCEPT any Maturity of the Bonds identified by the Purchaser in writing within four hours of the time of the award as a hold-the-offering-price Maturity (each a “HTP Maturity”). Each HTP Maturity will be subject to the “Hold-the-Offering-Price Requirements” further described and set forth in subsection (e) below. **Bids will NOT be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

(d) In the event that the Competitive Sale Requirements are not satisfied, the Purchaser shall advise the District, within four hours of the time of award of the Bonds, which Maturities of the Bonds satisfy the 10% Test as of the date of award, and confirm any HTP Maturities which

shall be subject to the Hold-the-Offering-Price Requirements. For each Maturity of the Bonds that does not satisfy the 10% Test, except for any HTP Maturity identified in writing within four hours of the time of award, the Purchaser agrees to promptly report to the District the prices at which the unsold Bonds of that Maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that Maturity or until all Bonds of that Maturity have been sold.

(e) By submitting a bid, each bidder (i) confirms that the bidder has offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the bidder and (ii) on behalf of the Underwriters participating in the purchase of the Bonds with the bidder, for each HTP Maturity identified and confirmed by the Purchaser, that such Underwriters will neither offer nor sell unsold Bonds of any such HTP Maturity to which the Hold-the-Offering-Price Requirements described in this subsection (e) shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least 10% of that HTP Maturity to the public at a price that is no higher than the initial offering price to the public.

The Purchaser shall promptly advise the District when the Underwriters have sold 10% of each HTP Maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

(f) The District acknowledges that, in making the representation set forth in subsection (e) above, the Purchaser will rely upon (i) the agreement of each Underwriter to comply with the Hold-the-Offering-Price Requirements, as set forth in an agreement among Underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Requirements, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Requirements, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Requirements and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Requirements as applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related

pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each Maturity allotted to it until it is notified by the Purchaser that either the 10% Test has been satisfied as to a Maturity or all Bonds of that Maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Requirements, in the event that the bidder intends to utilize the Hold-the-Offering-Price Requirements, in each case if and for so long as directed by the Purchaser and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) “Public” means any person other than an Underwriter or a Related Party;

(2) “Underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

(3) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities;

(4) a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(5) “Sale Date” means the date that the Bonds are awarded by the District to the Purchaser.

DTC FEES: All fees due DTC with respect to the Bonds shall be paid by the Purchaser.

OFFICIAL STATEMENT: The District has caused to be prepared a Preliminary Official Statement describing the Bonds (the “Preliminary Official Statement”) in a form deemed final by the District within the meaning of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for certain information which is permitted under said Rule 15c2-12 to be omitted from the Preliminary Official Statement. A copy of the Preliminary Official Statement will be furnished

upon request to Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Boulevard, Suite 1100, Irvine, CA 92612-2433, telephone (949) 660-7300. The District will furnish to the Purchaser within seven business days following the date of award, at no charge, no more than 25 copies of the Official Statement for use in connection with any resale of the Bonds.

DISCLOSURE CERTIFICATE: The District will deliver to the Purchaser of the Bonds a certificate of an official of the District, dated the date of Bond delivery, stating to the effect that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date, and at all times subsequent thereto up to and including the time of the delivery of the Bonds, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the Purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds.

CONTINUING DISCLOSURE: In order to assist bidders in complying with the Rule, the District will undertake, pursuant to the resolution authorizing issuance of the Bonds and a Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

Dated: November 21, 2019

EXHIBIT A

EXHIBIT A

ISSUE PRICE CERTIFICATE

**(VERSION 1 – USED IF COMPETITIVE SALE REQUIREMENTS ARE SATISFIED
(I.E., 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED))**

This certificate is being delivered by _____, the purchaser (the “Purchaser”) in connection with the issuance by the Arvin Union School District (the “District”) of the Arvin Union School District (County of Kern, California) General Obligation Bonds, Election of 2014, Series 2019C (the “Bonds”). The Purchaser hereby certifies and represents that:

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed on Schedule A attached hereto (the “Initial Offering Prices”). The Initial Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means the Bonds maturing on the same date and bearing the same credit and payment terms. Bonds with different payment dates, or Bonds with the same payment date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. The term “Related Party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate

in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP, Bond Counsel, in connection with rendering its opinion that the interest evidenced by the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

[PURCHASER]

By: _____

Name: _____

Dated: [EXECUTION AND DELIVERY DATE]

ISSUE PRICE CERTIFICATE

[VERSION 2 – USED IF THE COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED AND PURCHASER ELECTS TO UTILIZE THE 10% TEST FOR ALL MATURITIES]

This certificate is being delivered by _____, the purchaser (the “Purchaser”) in connection with the issuance by the Arvin Union School District (the “District”) of the Arvin Union School District (County of Kern, California) General Obligation Bonds, Election of 2014, Series 2019C (the “Bonds”). The Purchaser hereby certifies and represents that:

1. As of the date hereof, other than the Bonds listed on Schedule A hereto as undersold maturities (the “Undersold Maturities”), the first single price or yield at which at least 10% of each Maturity of the Bonds was sold by the Purchaser to the Public was the price set forth on Schedule A hereto.

2. With respect to the Undersold Maturities, the Purchaser agrees to notify the District in writing of the first single price or yield at which at least 10% of each such Undersold Maturity is ultimately sold by the Purchaser to the Public as soon as practicable after such applicable sales have occurred. If all of an Undersold Maturity is sold to the Public but not more than 10% of the Undersold Maturity is sold by the Purchaser to the Public at any particular price or yield, the Purchaser agrees to notify the District in writing of the amount of the Undersold Maturity sold by the Purchaser to the Public at each of the respective prices or yields at which the Undersold Maturity is sold to the Public.

3. *Defined Terms.*

(a) *Maturity* means the Bonds maturing on the same date and bearing the same credit and payment terms. Bonds with different payment dates, or Bonds with the same payment date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. The term “Related Party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ____, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP, Bond Counsel, in connection with rendering its opinion that the interest evidenced by the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

[PURCHASER]

By: _____

Name: _____

Dated: [EXECUTION AND DELIVERY DATE]

ISSUE PRICE CERTIFICATE

[VERSION 3 --- USED IF THE COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED AND PURCHASER SELECTS HOLD-THE-OFFERING-PRICE RULE FOR CERTAIN MATURITIES

This certificate is being delivered by _____, the purchaser (the “Purchaser”) in connection with the issuance by the Arvin Union School District (the “District”) of the Arvin Union School District (County of Kern, California) General Obligation Bonds, Election of 2014, Series 2019C (the “Bonds”). The Purchaser hereby certifies and represents that:

1. As of the date hereof, other than the Bonds listed on Schedule A hereto as undersold maturities (the “Undersold Maturities”), the first single price or yield at which at least 10% of each Maturity of the Bonds was sold by the Purchaser to the Public was the price set forth on Schedule A hereto.

2. For each Undersold Maturity indicated on Schedule A as a 10% Rule Maturity (an “Undersold 10% Rule Maturity”), the Purchaser agrees to notify the District in writing of the first single price or yield at which at least 10% of each such Undersold 10% Rule Maturity is ultimately sold by the Purchaser to the Public as soon as practicable after such applicable sales have occurred. If all of an Undersold 10% Rule Maturity is sold to the Public but not more than 10% of the Undersold 10% Rule Maturity is sold by the Purchaser to the Public at any particular price or yield, the Purchaser agrees to notify the District in writing of the amount of the Undersold 10% Rule Maturity sold by the Purchaser to the Public at each of the respective prices or yields at which the Undersold 10% Rule Maturity is sold to the Public.

3. The Purchaser offered the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

4. As set forth in the Official Notice of Sale and bid award, the Purchaser has agreed in writing that, (i) for each Undersold Maturity of the Bonds identified on Schedule A as a HTP Maturity (an “Undersold HTP Maturity”), it would neither offer nor sell any of the Bonds of such Undersold HTP Maturity to any person at a price that is higher than the Initial Offering Price for such Undersold HTP Maturity during the Holding Period for such Undersold HTP Maturity (the “Hold-the-Offering-Price Requirement”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Requirement. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Undersold HTP Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Undersold HTP Maturity of the Bonds during the Holding Period.

5. *Defined Terms.*

(a) *Holding Period* means, with respect to a HTP Maturity, the period starting on the Sale Date (_____) and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Undersold HTP Maturity to the Public at prices that are no higher than the Initial Offering Price for such Undersold HTP Maturity.

(b) *Maturity* means the Bonds maturing on the same date and bearing the same credit and payment terms. Bonds with different payment dates, or Bonds with the same payment date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. The term “Related Party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ____, 2019.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP, Bond Counsel, in connection with rendering its opinion that the interest evidenced by the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

[PURCHASER]

By: _____

Name: _____

Dated: [EXECUTION AND DELIVERY DATE]

SCHEDULE A TO ISSUE PRICE CERTIFICATE

TO BE USED IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED

THE PURCHASER SHALL IDENTIFY WHICH MATURITIES OF THE BONDS WILL BE SUBJECT TO THE 10% RULE AND WHICH TO THE HOLD-THE-OFFERING PRICE RULE AS DESCRIBED IN THE OFFICIAL NOTICE OF SALE.

| Payment Date (November 1) | Principal Amount | Interest Rate | Yield | Issue Price | 10% Rule Maturity | HTP Maturity |
|--------------------------------------|-----------------------------|--------------------------|--------------|--------------------|----------------------------------|-------------------------|
|--------------------------------------|-----------------------------|--------------------------|--------------|--------------------|----------------------------------|-------------------------|

SCHEDULE B TO ISSUE PRICE CERTIFICATE

PRICING WIRE (OR EQUIVALENT COMMUNICATION) (OR BID SUBMITTED, AS APPLICABLE)