

*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.*

**\$2,990,000**  
**ARVIN UNION SCHOOL DISTRICT**  
**(Kern County, California)**  
**General Obligation Bonds**  
**Election of 2018, Series 2020B**  
**(Bank Qualified)**

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

The General Obligation Bonds, Election of 2018, Series 2020B (Bank Qualified) (the “Bonds”) of the Arvin Union School District (the “District”) were authorized at a bond election conducted in the District on November 6, 2018 (the “2018 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 are the second series of bonds issued pursuant to the authorization approved by the voters at the 2018 Election, and, following the issuance thereof, \$8,625,000 of authorization under the 2018 Election will remain.

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 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 November 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” and in Appending E – “THE 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 of 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.

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**MATURITY SCHEDULE**

On Inside Cover

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The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MUNICIPAL ASSURANCE CORP.

**MUNICIPAL  
ASSURANCE  
CORP.**

AN ASSURED GUARANTY COMPANY

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

*Pursuant to the terms of a public sale on June 30, 2020, the Bonds were awarded to Robert W. Baird & Co., Inc. (the “Original Purchaser”) at a true interest cost of 2.448%. The Bonds will be offered when, as and if issued and received by the Original Purchaser, subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form through the facilities of DTC on or about July 14, 2020.*

Dated: June 30, 2020

## MATURITY SCHEDULE

**\$2,990,000**  
**ARVIN UNION SCHOOL DISTRICT**  
**GENERAL OBLIGATION BONDS**  
**ELECTION OF 2018, SERIES 2020B**  
**(BANK QUALIFIED)**

**\$735,000 Serial Bonds**

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.<sup>†</sup></u> <u>(043303)</u>
2022	\$335,000	6.000%	0.450%	KR6
2023	290,000	6.000	0.500	KS4
2027	20,000	6.000	1.100	KT2
2028	25,000	6.000	1.150	KU9
2029	30,000	6.000	1.200 <sup>C</sup>	KV7
2030	35,000	6.000	1.250 <sup>C</sup>	KW5

**\$2,255,000 Term Bonds**

**\$215,000 5.000% Term Bonds Maturing November 1, 2034, Priced to Yield 1.300%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LA2**

**\$235,000 3.000% Term Bonds Maturing November 1, 2037, Priced to Yield 1.700%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LD6**

**\$305,000 2.250% Term Bonds Maturing November 1, 2040, Priced to Yield 2.250%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LG9**

**\$250,000 2.375% Term Bonds Maturing November 1, 2042, Priced to Yield 2.375%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LJ3**

**\$440,000 2.500% Term Bonds Maturing November 1, 2045, Priced to Yield 2.400%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LM6**

**\$810,000 2.500% Term Bonds Maturing November 1, 2049, Priced to Yield 2.500%<sup>C</sup>; CUSIP No.<sup>†</sup> 043303LR5**

<sup>C</sup> Yield to par call on November 1, 2028.

<sup>†</sup> 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.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions contained in Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the Exchange Act, and have not been registered or qualified under the securities laws of any state.

**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.

Municipal Assurance Corp. ("MAC") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading "Bond Insurance" and "Appendix F - Specimen Municipal Bond Insurance Policy".

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 Exchange Act, and Section 27A of 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 certain social media accounts. 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

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Nixon Peabody LLP  
San Francisco, CA

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
Irvine, CA

**Paving Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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**\$2,990,000**  
**ARVIN UNION SCHOOL DISTRICT**  
**(Kern County, California)**  
**General Obligation Bonds**  
**Election of 2018, Series 2020B**  
**(Bank Qualified)**

**INTRODUCTION**

**General**

The Arvin Union School District (the “District”), a school district of the State of California (the “State”), proposes to issue \$2,990,000 aggregate principal amount of its General Obligation Bonds Election of 2018, Series 2020B (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 voters within the District voting on the measure at an election held on November 6, 2018 (the “2018 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 2018 Election, in accordance with the Constitution and laws of the State.

The Bonds are the second issue under the Authorization, after which \$8,625,000 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 of the District, including the Bonds of this issue, are payable solely from *ad valorem* property taxes, which may be levied upon all taxable property in the District. 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 SOLELY 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**

The District, located in the County, 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 8<sup>th</sup> grade. The District currently operates three (3) elementary schools and one middle school and has an enrollment of approximately 3,099 students. The teacher to student ratio in kindergarten to third grade is 24 to 1, grades 4-6 is 30 to 1, and grades 7-8 is 30 to 1. 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 2018-19 are attached hereto as APPENDIX C. For further information concerning the District, see APPENDIX A – “THE DISTRICT.”

### **Description of the Bonds**

**Form and Registration.** The Bonds will be issued in the form of current interest bonds, will be issued in fully registered form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), who will act as securities depository for the Bonds. See “THE BONDS – Book-Entry-Only System” herein and APPENDIX E – “BOOK-ENTRY-ONLY SYSTEM” hereto. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution.

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

**Denominations.** The Bonds will be issued in initial denominations of \$5,000 or any integral multiple thereof.

**Redemption.** The Bonds are subject to redemption prior to their stated maturity as further described herein. See “THE BONDS –Redemption” herein.

**Payments.** The Bonds will be dated as of their initial date of delivery (the “Date of Delivery”), and interest on the Bonds will accrue from the Date of Delivery, and is payable semiannually on each May 1 and November 1 of each year (each, an “Interest Payment Date”), commencing November 1, 2020. The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment. Payments of the principal of and interest on the Bonds will be made by Zions Bancorporation, National Association as the initial paying agent for the Bonds, (the “Paying Agent”) to DTC for subsequent distribution through DTC Participants (the “DTC Participants”) to the Beneficial Owners of the Bonds.

### **Bond Owner’s Risks**

The Bonds are general obligations of the District only, payable from *ad valorem* property taxes which may be levied upon all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding taxation of property within the District, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The outbreak of a new strain of coronavirus (“COVID-19”), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the U.S. The District cannot predict the extent or duration of the outbreak or what overall impact it may have on the District's financial condition or operations of the District, or if there will be any impact on the assessed values of property within the District or collections or delinquencies of the *ad valorem* property tax securing the Bonds. Any financial information, including projections, forecasts and budgets presented herein, does not account for the potential effects of COVID-19, unless specifically referenced. For further information concerning the potential effects of the COVID-19 outbreak (i) on the security and source of payment for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value; Proposition 8 Reductions” and “– *Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and

Delinquencies,” and (ii) on the District’s operations and finances, see APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Risks Related to COVID-19.”

In addition, the State recently asserted that the State’s General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. The State believes that the negative impact on revenues will be immediate, affecting the current fiscal year and running into several fiscal years in the future. Delayed deadlines for the filing and payment of personal income, corporation, and sales and use taxes have further created uncertainties for the State with respect to its General Fund cash flows. See APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget” for additional information on the effect of COVID-19 pandemic on the State and its funding of K-12 education.

### **Continuing Disclosure**

Pursuant to that certain Continuing Disclosure Agreement (defined herein) relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”). The specific nature of the information to be made available and of the notices of listed events is summarized under “LEGAL MATTERS – Continuing Disclosure” herein and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

### **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement 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, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “estimate,” “project,” “budget,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED FROM SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **THE BONDS**

### **Authority for Issuance and Security for the Bonds**

The Bonds are general obligations of the District only. The Bonds are issued pursuant to 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 (collectively, the “Act”), (iv) the Authorization, and (v) a resolution of the Board of Trustees of the District adopted on June 16, 2020 (the “Resolution”). See “SECURITY

AND SOURCES OF PAYMENT FOR THE BONDS” herein. 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 2018 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. The District shall, from time to time, disburse or cause to be disbursed amounts from the respective Building Fund to pay the project costs. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued may 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.

### **Permitted Investments**

Under State law, the District is generally required to pay all moneys received from any source into the County treasury to be held on behalf of the District. The proceeds from the sale of the Bonds to the extent of the principal amount thereof, will be deposited in the County Treasury to the credit of the appropriate Building Fund and shall be accounted for, together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Bonds were authorized. Any premium or accrued interest received by the District will be deposited in the appropriate Debt Service Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the Kern County Treasurer-Tax Collector (the “Treasurer”) in the Building Funds and the Debt Service Funds are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time.

### **Description of the Bonds**

The Bonds will be dated their Date of Delivery. The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued with principal amount payable at the maturity dates of the respective Bonds or upon their redemption. **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 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 (as defined herein) 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 by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (the “DTC Participants”) for

subsequent disbursement to the Beneficial Owners. Payments of principal of, and premium, if any, on 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 three hundred and sixty (360) days comprised of twelve (12) 30-day months and shall be payable on Interest Payment Date, commencing November 1, 2020, to the registered owner (each, an “Owner”) thereof as of the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month next preceding any Interest Payment Date (whether or not such day is a business day) (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, 2034, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2031, 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:

*[Remainder of page intentionally left blank]*

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2031	\$45,000
2032	50,000
2033	55,000
2034 <sup>(1)</sup>	65,000

<sup>(1)</sup> Maturity.

The Bonds maturing on November 1, 2037, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2035, 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:

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2035	\$70,000
2036	80,000
2037 <sup>(1)</sup>	85,000

<sup>(1)</sup> Maturity.

The Bonds maturing on November 1, 2040, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2038, 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:

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2038	\$95,000
2039	100,000
2040 <sup>(1)</sup>	110,000

<sup>(1)</sup> Maturity.

The Bonds maturing on November 1, 2042, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2041, 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:

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2041	\$120,000
2042 <sup>(1)</sup>	130,000

<sup>(1)</sup> Maturity.

The Bonds maturing on November 1, 2045, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2043, 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:

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2043	\$135,000
2044	145,000
2045 <sup>(1)</sup>	160,000

<sup>(1)</sup> Maturity.

The Bonds maturing on November 1, 2049, are subject to mandatory sinking fund redemption prior to their stated maturity in part on any November 1 on or after November 1, 2046, 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:

<b>Mandatory Sinking Fund Payment Date (November 1)</b>	<b>Mandatory Sinking Fund Payment</b>
2046	\$170,000
2047	180,000
2048	195,000
2049 <sup>(1)</sup>	265,000

<sup>(1)</sup> Maturity.

### **Selection of Bonds for Redemption**

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds of that series for redemption in such order as the District may direct, or, in the absence of such direction, by lot. Within a maturity, the Paying Agent shall select Bonds for redemption in such order as the District may direct, or in the absence of such direction, 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 five thousand US dollars (\$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 become 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 and the Municipal Securities Rulemaking Board (the “MSRB”); and (ii) in the event that the Bonds are no longer held in book-entry-only form, at least 20 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 each of the Securities Depositories and to the MSRB.

“Securities Depositories” means DTC and, in accordance with then-current guidelines of the SEC, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

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.

## **Conditional Notice of Redemption**

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys 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 Paying Agent, who shall notify the Owners of the affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or expected to be received, in the same manner in which the Redemption Notice was originally given.

## **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 principal amount 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.

## **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 deposited with a duly appointed escrow agent, in trust, 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**

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

## **Discharge and Defeasance**

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

- (a) by paying or causing to be paid the principal of, 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 transferred from or 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 escrow agent selected by the District in accordance with the Resolution, 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 (defined below) 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, be fully sufficient, as fully verified by the report of an independent certified public accountant, to pay and

discharge such Bonds 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 of the affected series have not been surrendered for payment;

all obligations of the District and the Paying Agent with respect to all such Bonds will cease and terminate. However, the obligation of the Paying Agent to pay or cause to be paid all sums due thereon, and the obligation of the District to pay the Paying Agent certain amounts due under the Resolution, shall not terminate.

**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	\$2,990,000.00
Original Issue Premium	224,550.65
Total Sources	<u>\$3,214,550.65</u>

**Uses of Funds**

Deposit to Building Fund	\$2,835,013.00
Deposit to Debt Service Fund	224,550.65
Costs of Issuance <sup>(1)</sup>	154,987.00
Total Uses	<u>\$3,214,550.65</u>

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

**PLAN OF FINANCE**

The District intends to apply the net proceeds of sale of the Bonds to various capital improvements included on the Project List approved by the voters at the 2018 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 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.

- ***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<sup>(1)</sup>

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

Year Ending November 1	Outstanding Bonds <sup>(2)</sup>	The Bonds		Total Debt Service <sup>(2)</sup>
		Principal	Interest	
2020	\$ 1,576,704	–	\$31,491	\$1,608,195
2021	1,573,775	–	105,950	1,679,725
2022	1,179,275	\$ 335,000	105,950	1,620,225
2023	1,233,750	290,000	85,850	1,609,600
2024	1,159,550	–	68,450	1,228,000
2025	1,193,425	–	68,450	1,261,875
2026	639,675	–	68,450	708,125
2027	672,294	20,000	68,450	760,744
2028	683,131	25,000	67,250	775,381
2029	1,433,125	30,000	65,750	1,528,875
2030	1,482,319	35,000	63,950	1,581,269
2031	1,555,094	45,000	61,850	1,661,944
2032	1,606,556	50,000	59,600	1,716,156
2033	1,681,294	55,000	57,100	1,793,394
2034	1,764,419	65,000	54,350	1,883,769
2035	1,820,531	70,000	51,100	1,941,631
2036	1,894,656	80,000	49,000	2,023,656
2037	1,971,681	85,000	46,600	2,103,281
2038	2,061,669	95,000	44,050	2,200,719
2039	2,140,519	100,000	41,913	2,282,432
2040	2,227,256	110,000	39,663	2,376,919
2041	2,308,469	120,000	37,188	2,465,657
2042	2,397,506	130,000	34,338	2,561,844
2043	2,514,031	135,000	31,250	2,680,281
2044	2,607,844	145,000	27,875	2,780,719
2045	2,708,806	160,000	24,250	2,893,056
2046	2,799,106	170,000	20,250	2,989,356
2047	2,916,263	180,000	16,000	3,112,263
2048	2,116,819	195,000	11,500	2,323,319
2049	–	265,000	6,625	271,625
Total	<u>\$51,919,542</u>	<u>\$2,990,000</u>	<u>\$1,514,491</u>	<u>\$56,424,033</u>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> 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.

*[Remainder of page intentionally left blank]*

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

The Bonds are general obligations of the District only, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property 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. The levy may include an allowance for an annual reserve, established for the purposes of avoiding fluctuating tax levies. However, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years.

Subsequent to the issuance of the Bonds, \$8,625,0000 will remain for issuance of additional general obligation bonds under the Authorization.

### 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 or wildfire, flood, pandemic outbreaks, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District’s outstanding general obligation bonds, including the Bonds. See “ – Effect of Natural Disasters on Assessed Valuations” herein.

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

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

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>
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**

	<b>2019-20 Assessed Valuation<sup>(1)</sup></b>	<b>% of Total</b>	<b>No. of Parcels</b>	<b>% of Total</b>
<b>Non-Residential:</b>				
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%
<b>Residential:</b>				
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%
<b>Total</b>	<b>\$1,479,980,277</b>	<b>100.00%</b>	<b>5,163</b>	<b>100.00%</b>

<sup>(1)</sup> 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**

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

<b>2019-20 Assessed Valuation</b>	<b>No. of Parcels<sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$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
<b>Total</b>	<b>3,088</b>	<b>100.000%</b>		<b>\$420,206,145</b>	<b>100.000%</b>	

<sup>(1)</sup> 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**

<b>Jurisdiction:</b>	<b>Assessed Valuation in School District</b>	<b>% of School District</b>	<b>Assessed Valuation of Jurisdiction</b>	<b>% of Jurisdiction in School District</b>
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
<b>Total District</b>	<b>\$1,514,676,663</b>	<b>100.00%</b>		
<b>Kern County</b>	<b>\$1,514,676,663</b>	<b>100.00%</b>	<b>\$95,585,295,862</b>	<b>1.58%</b>

Source: California Municipal Statistics, Inc.

The 20 largest taxpayers in the District, as shown on the 2019-20 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below. As further discussed under “– *Appeals of Assessed Value; Proposition 8 Reductions*” herein, the *ad valorem* property tax is subject to certain appeals and reclassification, and may be challenged from time to time. The below table does not take into account any such appeal or challenge.

**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<sup>(1)</sup></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>

<sup>(1)</sup> 2019-20 Total Secured Assessed Valuation: \$1,479,980,277  
Source: California Municipal Statistics, Inc.

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer’s financial situation and ability or willingness to pay property taxes. Each taxpayer listed above is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table above.

## 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)<sup>(1)</sup>**  
**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%

<sup>(1)</sup> 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.

## ***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 and real property having a tax 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.

On May 6, 2020, Governor Newsom issued Executive Order N-61-20 ("Executive Order N-61-20"), suspending penalties, costs or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the date and time such taxes became delinquent, and cancelling penalties, costs, and interest, through May 6, 2021. Executive Order N-61-20 applies to residential real property occupied by the taxpayer, or real property owned and operated by certain qualified small business, and requires that taxes owed on the property in question not be delinquent prior to March 4, 2020 and the taxpayer demonstrate economic hardship or that the failure to pay taxes was due to the COVID-19 pandemic. The Treasurer is implementing these requests for penalty exemptions.

The District cannot predict or anticipate (i) the level of delinquent property tax payments due to the COVID-19 pandemic or the effect that Executive Order N-61-20 will have on such level of delinquencies, or whether any further action will be taken by the State with respect to property tax payment or deadlines or delinquent payment of property taxes, (ii) how the County will proceed with requests to cancel penalties on late property tax payments or any potential future adjustments to property tax payments related to COVID-19, or (iii) whether future property tax deadlines will remain in effect, the extent of delinquencies and delayed tax collections, or the impact of any such delay or delinquencies on the District's financial conditions or operations.

The County has adopted the Teeter Plan, according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. The District cannot confirm that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. See "– Teeter Plan" herein. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

### **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.

*[Remainder of page intentionally left blank]*

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

<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>(2)</sup></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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

## **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 is located in a seismically active region. The White Wolf Fault is an active earthquake fault which runs near the District, and other active faults throughout the County include the Kern Canyon Fault, San Andreas Fault, the Garlock Fault and the Owens Valley Fault.

The District cannot predict or make any representation regarding the effects that natural disasters, such as fire, wildfire, drought or extended drought conditions, earthquakes, pandemics 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 of Assessed Value; Proposition 8 Reductions.”

## **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, wildfire, 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 COVID-19 pandemic has resulted in economic disruption that may cause a general market decline in property values, and therefore affect the assessed value of property in the District. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Risks Related to COVID-19.”

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.

### **California Senate Bill 222**

On July 13, 2015, the Governor of the State (the “Governor”) signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016, to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. 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. See “LEGAL MATTERS – Limitations on Remedies; – California Senate Bill SB 222; and – Special Revenues” herein for more information on SB 222.

### **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.

### **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.

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. In 2019, the District issued its General Obligation Bonds, Election of 2014, Series 2019B, in an aggregate principal amount of \$4,100,000.

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. 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, 2019 is shown in the table below:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
General obligation bonds	\$14,194,223	\$3,385,000	\$ 635,000	\$16,944,223
Accreted interest	3,521,493	496,003	–	4,017,496
Capital Leases	1,781,199	–	186,169	1,595,030
Other Postemployment benefits	24,525,491	–	11,857	24,513,634
Compensated absences	256,443	–	2,060	254,383
Net Pension Liability	34,670,918	838,291	–	35,509,209
Contract payable	3747,062	–	377,062	–
Early retirement incentive				
STRS	390,845	198,635	95,558	493,922
PERS	38,051	31,193	12,795	56,449
PARS	16,119	–	16,119	–
Totals	<u>\$79,771,844</u>	<u>\$4,949,122</u>	<u>\$1,336,620</u>	<u>\$83,384,346</u>

Source: The District.

The 2020-21 May Revised Budget indicates significant reductions in State funding of school districts throughout the State in the 2020-21 fiscal year and future fiscal years due to the COVID-19 pandemic, as further described in APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Risks Related to COVID-19” and “– Fiscal Year 2020-21 May Revised State Budget.” Such reductions may result in deferrals of payments from the State, and should such reductions materialize and be significant, the District may need to rely on interfund borrowing or the issuance of tax and revenue anticipation notes to manage cash flow during the 2020-21 fiscal year or in the future. The District expects to bring resolutions to its Board authorizing such interfund borrowing and the issuance of tax and revenue anticipation notes during fiscal year 2020-21.

### 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.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of June 1, 2020:

**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 6/1/20</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
<b>Arvin Union School District</b>	<b>100.</b>	<b>20,484,222<sup>(1)</sup></b>
Tehachapi Valley Healthcare District	0.063	36,628
Kern Delta Water District	0.051	102
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$30,697,032</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County Certificates of Participation	1.585%	\$ 1,359,923
Kern County Pension Obligation Bonds	1.585	2,850,804
Kern County Board of Education Certificates of Participation	1.585	554,750
Kern County Joint Community College District Certificates of Participation	1.476	405,457
Kern County Joint Community College District Benefit Obligation Bonds	1.476	1,132,904
Kern High School District Certificates of Participation	2.565	1,803,067
City of Arvin General Fund Obligations	100.	4,285,000
Tehachapi Valley Recreation and Park District General Fund Obligations	0.137	651
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$12,392,556</b>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		 \$ 6,605,000
 <b>COMBINED TOTAL DEBT</b>		 <b>\$49,694,588<sup>(2)</sup></b>

Ratios to 2019-20 Assessed Valuation:

<b>Direct Debt (\$20,484,222)</b> .....	<b>1.35%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.03%
Combined Total Debt .....	3.28%

Ratio to Redevelopment Incremental Valuation (\$142,810,820):

Total Overlapping Tax Increment Debt .....	4.62%
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<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</sup> 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.

***Split Roll Property Tax Ballot Measures.*** On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “Ballot Measure 1851”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1851 would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, Ballot Measure 1851 would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Ballot Measure 1851, approximately 40% of the remaining additional tax revenues generated as a result of Ballot Measure 1851 would be deposited into a fund created pursuant to Ballot Measure 1851 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. Proponents of Ballot Measure 1851 subsequently announced a revised version of its ballot initiative which has since been circulated for signature (the “Ballot Measure 1870” and, together with Ballot Measure 1851, the “Split Roll Measures”). According to a random sample released by the Secretary of State, Ballot Measure 1870 has received sufficient signatures, if deemed valid, for Ballot Measure 1870 to become eligible for the November 2020 Statewide ballot. Like Ballot Measure 1851, Ballot Measure 1870 would similarly amend the determination of “full cash value” of commercial and industrial real property, however the Split Roll Measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools. The District cannot predict whether Ballot Measure 1870 will qualify for the November 2020 Statewide ballot, whether either Split Roll Measure will appear on the Statewide ballot at the November 2020 election or, if either does, whether such Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on District revenues or the assessed valuation of real property in the District.

***Property Tax Base Transfer Ballot Measure.*** On April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (“Ballot Measure 1864”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the District.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 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 1979.

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 was 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 Sections 15268 and 15270 of the Education Code, the following limits on *ad valorem* property 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.

The COVID-19 pandemic is having a significant negative effect on State revenues, and equally significant negative impact on the State's Proposition 98 Guarantee. See APPENDIX A – "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget – K-12 Education – Proposition 98" for additional information on the effect of COVID-19 pandemic on funding levels under Proposition 98.

### **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 State 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. District ADA and enrollment may be impacted by the ongoing outbreak of COVID-19. See APPENDIX A – "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Risks Related to COVID-19."

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 (A) 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, or (B) it is made in response to a natural or man-made emergency. Any such declaration must be followed by a legislative bill passed by a majority vote of each house. If a budget emergency exists and the State elects to make a withdrawal from the BSA, the State may withdraw the lesser of (i) the amount needed to maintain General Fund spending at the highest level of the past three enacted budget acts; and (ii) fifty percent of the balance of the BSA. For a discussion of reserves available to the State in the event of a budget emergency declared to the COVID-19 pandemic, see APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 Proposed State Budget – Changes in State Budget” herein.

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 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.

State legislation (Senate Bill 858, as amended by Senate Bill 751) established certain limits on the amount that school districts are permitted to maintain in their reserve funds in any given period. These limits, often referred to as the “school district reserve cap,” can be triggered upon deposits into the PSSSA. If deposits in the PSSSA in a fiscal year equal or exceed 3% of the combined general fund revenues provided to school districts under Proposition 98, then a school district will be restricted from exceeding 10% of such funds in its general fund reserves in the immediately following fiscal year, among other provisions. While the Fiscal Year 2019-20 State Budget (described herein) includes a deposit of approximately \$377 million to the PSSSA, the 3% threshold was not met and the school district reserve cap is not triggered. See “Fiscal Year 2019-20 State Budget” herein.

Amounts in the BSA, PSSSA and other State reserves are expected to be drawn upon in the 2020-21 fiscal year, as described further under APPENDIX A – “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget.”

## **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 State 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; and
- \$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 which has been approved and constructed, and which the District expects would likely qualify for reimbursement in the event that an additional State facilities bond, similar to Proposition 51, is approved by voters in the future.

## **Article XIIC and XIID 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 XIIC and XIID 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 17, 2019. 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 April 30, 2020. 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 April 30, 2020.

**KERN COUNTY TREASURER – TAX COLLECTOR**  
**Pooled Cash Portfolio Report**  
**(as of April 30, 2020 – 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	\$73,965,768	\$73,965,768	\$73,965,768	1.47%	1.91%	\$65 Million	1
California Asset Management Program	17,396,076	17,396,076	17,396,076	0.84	0.45	10%	1
CalTRUST	236,450,871	236,450,871	236,450,871	1.35	6.10	10%	1
Bank Sweep (ICS)	15,020,864	15,020,864	15,020,864	0.55	0.39	10%	1
U.S. Treasuries	546,000,000	543,542,188	560,465,103	1.91	14.46	100%	555
Federal Agencies	1,150,161,000	1,157,655,256	1,182,713,207	1.84	30.51	75%	723
Municipal Bonds	68,110,000	69,296,438	70,759,738	2.37	1.83	10%	858
Supranationals	180,478,000	182,631,320	187,065,869	1.80	4.82	10%	687
Negotiable CDs	500,000,000	500,000,000	500,220,187	1.06	12.90	30%	39
Commercial Paper	230,000,000	227,809,446	229,174,103	1.72	5.91	40%	72
Corporate Notes	719,061,000	720,548,264	734,241,385	2.45	18.94	30%	804
<b>Total Securities</b>	<b>\$3,736,643,579</b>	<b>\$3,744,316,490</b>	<b>\$3,807,473,170</b>	<b>1.82 %</b>	<b>98.21%</b>	<b>-</b>	<b>518</b>
<b>Total Cash</b>	<b>\$69,548,473</b>	<b>\$69,584,473</b>	<b>\$69,548,473</b>	<b>-</b>	<b>1.79%</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$3,806,192,052</b>	<b>\$3,813,864,963</b>	<b>\$3,877,021,643</b>	<b>-</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>

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 and tax status 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 and undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

## **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 District 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 opinions attached as APPENDIX B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

## **Changes in Law and Post-Issuance Events**

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Municipal Assurance Corp. (“MAC”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

### **Municipal Assurance Corp.**

MAC is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”). Each rating of MAC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of MAC in its sole discretion. In addition, the rating agencies may at any time change MAC’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement

of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On March 2, 2020, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

For more information regarding MAC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of MAC*

As of March 31, 2020, MAC's policyholders' surplus and contingency reserve were approximately \$473 million and its unearned premium reserve was approximately \$136 million, in each case, determined in accordance with statutory accounting principles.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to MAC are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All financial statements of MAC and all other information relating to MAC included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Municipal Assurance Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding MAC included herein under the caption "BOND INSURANCE – Municipal Assurance Corp." or included in a document incorporated by reference herein (collectively, the "MAC Information") shall be modified or superseded to the extent that any subsequently included MAC

Information (either directly or through incorporation by reference) modifies or supersedes such previously included MAC Information. Any MAC Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

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

### **LEGAL MATTERS**

#### **Continuing Disclosure**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the SEC, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) 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 Agreement 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.

#### **California Senate Bill 222**

SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of State school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include

an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

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

## **Special Revenues**

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

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

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

adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "THE KERN COUNTY TREASURY POOL" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

### **LEGALITY FOR INVESTMENT**

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

### **RATINGS**

S&P Global Ratings, a Standard & Poor's Financial Services LLC ("S&P") assigned a municipal bond rating of "AA" to the Bonds based upon the issuance of the insurance policy by MAC at the time of delivery of the Bonds, and S&P has assigned the underlying rating of "A" to the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings 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**

The District is not aware of any litigation pending or threatened questioning the validity of the Bonds, the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue 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.

The County is subject to lawsuits and claims posed by taxpayers or related to certain property tax payments from time to time in its ordinary course of business. These lawsuits may include allegations that the County is not authorized to levy certain taxes against certain taxpayers, that certain property be reclassified on the tax roll or is exempt from taxation, that certain taxes were not levied at the appropriate levels, or other claims generally related to property tax levies, collections, or payments. Such claims may include or relate to the *ad valorem* property tax necessary to provide for the debt service payments on school district general obligation bonds, including the Bonds. The District is not aware of any litigation pending or threatened which would materially adversely affect the County's ability to levy or collect the *ad valorem* property taxes in the amounts necessary to make payment of principal of or interest on the Bonds.

### **UNDERWRITING**

Robert W. Baird & Co., Inc., as Original Purchaser (the "Original Purchaser"), has agreed to purchase the Bonds from the District at the purchase price of \$3,171,523.65 (being the initial principal issue amount of the Bonds, plus original issue premium of \$224,550.65 and less an underwriter's discount of \$43,027.00), at the rates and yields shown on the inside cover hereof.

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

### **BANK QUALIFIED**

The District has not issued, and does not expect to issue, any tax-exempt obligations in the calendar year commencing January 1, 2020, that exceed the aggregate of \$10,000,000. On the basis of this expectation, the District has designated the Bonds as qualified tax-exempt obligations under and for the purposes of Section 265(b)(3) of the Code.

### **MUNICIPAL ADVISOR**

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

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## OTHER INFORMATION

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

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

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

ARVIN UNION SCHOOL DISTRICT

By: \_\_\_\_\_ /s/ Georgia Rhett  
Superintendent

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## **APPENDIX A**

### **THE DISTRICT**

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

*This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. Any financial information, including projections, forecasts and budgets presented herein, does not account for potential effects for COVID-19, unless specifically discussed. 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 currently operates three (3) elementary schools and one middle school and has an enrollment of approximately 3,099 students. The teacher to student ratio in kindergarten to third grade is 24 to 1, grades 4-6 is 30 to 1, and grades 7-8 is 30 to 1.

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.

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## Changes in District Enrollment and ADA

The table below sets forth the enrollment and Average Daily Attendance (“ADA”) for the District for fiscal years 2014-15 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>ADA<sup>(1)</sup></u>	<u>Enrollment</u>
2014-15	2,995	3,117
2015-16	2,981	3,081
2016-17	2,928	3,036
2017-18	2,958	3,057
2018-19	2,978	3,070
2019-20 <sup>(2)</sup>	2,993	3,101
2020-21 <sup>(3)</sup>	2,987	3,051
2021-22 <sup>(3)</sup>	2,937	3,001

<sup>(1)</sup> ADA has generally decreased slightly, 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.

<sup>(2)</sup> Estimated.

<sup>(3)</sup> Projected.

Source: The District.

The 2020-21 May Revised State Budget notes that attendance in public schools has been on the decline, and contains expectations that attendance statewide will decline slightly in fiscal year 2019-20 and decline again in fiscal year 2020-21. See “– FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget” herein.

## District Employees

As of May 1, 2020, 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 District reached a tentative agreement, however, due to COVID-19 there have been delays in finalizing agreement. 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 contributions to STRS were \$2,511,224.54 for fiscal year 2018-19 and \$2,654,659.78 for fiscal year 2019-20, and are budgeted to be \$2,812,471.71 for fiscal year 2020-21.

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 contributions to PERS were \$1,055,497.14 in fiscal year 2018-19 and \$1,188,630.19 for fiscal year 2019-20, and are budgeted to be \$1,059,229.49 for fiscal year 2020-21.

Declines in investment earnings as a result of COVID-19 may lead to increases in District contributions to each of these retirement systems. The District is unable to predict the likelihood or the amount of such increases on its contributions to STRS or PERS.

*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 (3) entities were approximately \$275 million. The contributions would increase in subsequent years, reaching more than \$5 billion annually. Then Governor Brown expected that this would fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014, within 32 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. However, see "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget" for certain changes in the employer contribution rates in the 2020-21 May Revised State Budget.

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**STATE OF CALIFORNIA  
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

<b>Name of Plan</b>	<b>Market Value of Assets</b>	<b>Actuarial Value of Assets<sup>(3)</sup></b>	<b>Actuarial Obligation</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio (Market Value)</b>	<b>Funded Ratio (Actuarial Value)</b>
Public Employees' Retirement Fund Schools Pool (PERS) <sup>(1)</sup>	\$68.177 billion	—	\$99.528 billion	\$31.351 billion	68.5%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS) <sup>(2)</sup>	\$211.367 billion	\$190.451 billion	\$297.603 billion	\$107.152 billion	65.7%	64.0%

PERS Figures as of June 30, 2019. STRS Figures as of June 30, 2018.

<sup>(1)</sup> As of June 30, 2019, the PERS provided pension benefits to 1,296,053 active and inactive program members and 714,504 retirees, beneficiaries, and survivors.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 2018-19, PERS Schools Pool Valuation and Employer/Employee Contribution Rates Finance & Administration Committee April 21, 2020 Item 7d, Attachment 1 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 unfunded actuarial obligation with respect to service credited to the members of the STRS Defined Benefit Program before July 1, 2014 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 for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. 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.

As described in more detail under “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget,” the 2020-21 May Revised State Budget provides that \$2.3 billion included in the 2019-20 State Budget to reduce long-term unfunded liabilities in PERS and STRS may be redirected to reduce employer contribution rates in fiscal years 2020-21 and 2021-22.

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 were 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. However, see “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget” for certain changes in the employer contribution rate in the 2020-21 May Revised State Budget.

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. However, see “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 May Revised State Budget” for certain changes in the employer contribution rate in the 2020-21 May Revised State Budget.

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](http://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](http://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](http://www.calpers.ca.gov) and through the STRS website at [www.calstrs.com](http://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 2020-21, and a maximum of \$18,922.80 for fiscal year 2019-20 and \$17,946.00 for fiscal year 2018-19. Currently, 24 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 2020-21, and most employees received a maximum of \$18,536.40 for fiscal year 2019-20 and \$17,580.00 for fiscal year 2018-19. Currently, 55 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. The District contributions for retiree health premiums were \$722,864 in fiscal year 2016-17, \$867,072.41 for fiscal year 2017-18, \$938,838.40 for fiscal year 2018-19, \$968,466.77 estimated for fiscal year 2019-20, and it has budgeted to be \$1,007,205.44 for fiscal year 2020-21.

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

Any financial information presented herein, including projections, forecasts and budgets, does not account for potential effects of COVID-19, unless specifically discussed.

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, \$660,000 in fiscal year 2019-20, and are projected to be approximately \$500,000 in fiscal year 2020-21.

## 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 years 2019-20 and 2020-21.

### 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	703,303.69
2019-20 <sup>(1)</sup>	580,453.30
2020-21 <sup>(2)</sup>	304,791.51

<sup>(1)</sup> Estimated.

<sup>(2)</sup> 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 State fund apportionment, taxes, uses of money and property, and aid from other government agencies.

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 2018-19."

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 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."

*Any financial information presented herein, including projections, forecasts and budgets, does not account for potential effects of COVID-19, unless specifically discussed.*

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**ARVIN UNION SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES**  
**FISCAL YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2019 AND ESTIMATED ACTUALS FOR**  
**FISCAL YEAR ENDING JUNE 30, 2020 <sup>(1)(2)</sup>**

	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2018-19</b>	<b>Estimated Actuals Fiscal Year 2019-20</b>
<b>Revenues</b>					
LCFF Sources	\$27,980,396	\$29,984,947	\$30,609,814	\$33,557,184	\$34,607,526
Federal Sources	3,374,792	3,280,113	3,731,784	3,826,957	4,799,303
Other State Sources	3,945,129	4,683,192	3,433,727	4,763,114	3,085,681
Other Local Sources	2,133,227	643,344	1,860,382	2,017,563	416,134
Total Revenues	<u>\$37,433,544</u>	<u>\$38,591,596</u>	<u>39,635,707</u>	<u>\$44,164,818</u>	<u>\$42,908,644</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	\$21,342,244	\$20,815,523	\$22,453,060	\$24,819,342	\$22,805,720
Instruction-related Activities		5,616,280	5,409,240	5,684,424	5,166,180
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	3,239,131	3,889,174
Home-to-school transportation	258,820	-	-	-	-
Food services	17,160	-	-	-	-
All other pupil services	1,877,963	-	-	-	-
Administration		2,609,059	2,201,229	2,240,441	2,392,794
Data processing	39	-	-	-	-
All other general administration	2,173,170	-	-	-	-
Plant services	4,085,649	4,262,051	3,956,278	4,374,223	4,347,018
Facilities acquisition and construction	535,171	-	-	-	-
Other outgo	1,196,023	1,145,442	957,034	1,571,398	1,426,926
Community services	489,004	489,443	526,394	494,449	512,411
Ancillary services	60,702	27,425	47,980	53,746	24,301
Capital Outlay	-	1,755,797	939,512	727,604	-
Debt service					
Principal	356,173	290,393	673,510	563,231	-
Interest and other	28,121	55,578	63,110	48,912	-
Total Expenditures	<u>\$36,804,750</u>	<u>\$39,661,882</u>	<u>\$40,142,353</u>	<u>\$43,816,901</u>	<u>\$40,564,541</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 628,794</b>	<b>\$ (1,070,286)</b>	<b>\$ (506,646)</b>	<b>\$ 347,917</b>	<b>\$ 2,344,199</b>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Other sources	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 628,794</b>	<b>\$ (1,070,286)</b>	<b>\$ (506,646)</b>	<b>\$ 347,917</b>	<b>\$ 2,344,199</b>
<b>Fund Balances – Beginning</b>	<b>\$ 7,725,404</b>	<b>\$ 8,354,198</b>	<b>\$ 7,283,912</b>	<b>\$ 6,777,266</b>	<b>\$ 1,025,388</b>
<b>Fund Balances – Ending</b>	<b>\$ 8,354,198</b>	<b>\$ 7,283,912</b>	<b>\$ 6,777,266</b>	<b>\$ 7,125,183</b>	<b>\$ 3,369,507</b>

(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 2016-17 through 2020-21. The District adopted its budget for fiscal year 2020-21 on June 16, 2020. See APPENDIX C for the District’s financial statements for fiscal year 2018-19.

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**ARVIN UNION SCHOOL DISTRICT  
GENERAL FUND ADOPTED BUDGETS  
FISCAL YEARS 2016-17 THROUGH 2020-21<sup>(1)(2)</sup>**

	<b>2016-17 Adopted Budget</b>	<b>2017-18 Adopted Budget</b>	<b>2018-19 Adopted Budget</b>	<b>2019-20 Adopted Budget</b>	<b>2020-21 Adopted Budget</b>
<b>Revenues</b>					
LCFF Sources	\$29,805,584	\$30,445,848	\$32,873,232	\$34,696,891	\$31,792,779
Federal Revenue	3,655,151	3,626,493	3,753,027	3,822,187	5,552,528
Other State Revenue	3,183,471	2,578,891	3,772,639	3,337,281	3,145,075
Other Local Revenue	309,633	255,000	260,000	260,000	340,000
Total Revenue	<u>\$36,953,839</u>	<u>\$36,906,232</u>	<u>\$40,658,898</u>	<u>\$42,116,359</u>	<u>\$40,830,381</u>
<b>Expenditures</b>					
Certificated Salaries	\$14,734,729	\$15,461,013	\$15,564,421	\$16,001,034	\$15,533,649
Classified Salaries	3,708,911	4,506,988	4,740,212	5,127,305	5,863,857
Employee Benefits	7,777,266	8,665,689	9,504,494	10,351,460	10,550,769
Books and Supplies	2,754,351	2,217,081	3,108,535	2,577,030	3,076,510
Services and Other Operating Expenditures	4,925,137	4,208,517	4,900,958	5,293,893	4,949,603
Capital Outlay	1,972,234	1,000,000	890,000	471,470	-
Other Outgo (excluding Transfers of Indirect Costs)	1,100,000	1,095,000	1,095,000	1,498,500	1,485,100
Other Outgo – Transfers of Indirect Costs	(10,078)	(10,078)	(10,078)	-	-
Total Expenditures	<u>\$36,962,551</u>	<u>\$37,144,210</u>	<u>\$39,793,543</u>	<u>\$41,320,691</u>	<u>\$41,459,489</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources and Uses</b>					
	\$ (8,712)	\$ (237,978)	865,355	795,668	(\$629,107)
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	500,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (500,000)</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources/Uses</b>					
	\$ (8,712)	\$ (237,978)	\$ 865,355	\$ 295,668	(\$629,107)
<b>Beginning Fund Balance, July 1</b>	3,465,528	888,558	1,325,566	917,767	3,241,847
<b>Ending Fund Balances, June 30</b>	\$ 3,456,816	\$ 650,580	\$ 2,190,921	\$1,213,435	2,612,740

(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, 2019, 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. As provided below under “– Fiscal Year 2020-21 May Revised State Budget,” the 2020-21 May Revised State Budget provides for a 10 percent (\$6.5 billion) reduction to the LCFF, including the elimination of a 2.31 percent cost-of-living adjustment, unless the federal government provides sufficient funding to backfill this cut.

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**

<b>Fiscal Year</b>	<b>Average Daily Attendance</b>				<b>Enrollment</b>	
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>Total ADA</b>	<b>Total Enrollment</b>	<b>% of EL/LI Enrollment</b>
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	1,002	602	2,958	3,057	97.28
2018-19	1,358	981	639	2,978	3,070	97.34
2019-20 <sup>(1)</sup>	1,364	986	643	2,993	3,101	97.34
2020-21 <sup>(2)</sup>	1,341	1,007	638	2,987	3,051	97.34
2021-22 <sup>(2)</sup>	1,321	992	623	2,937	3,001	97.34

<sup>(1)</sup> Estimated.

<sup>(2)</sup> 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. In response to the COVID-19 pandemic, Governor Newsom has issued executive orders providing additional time for school districts to complete their local control and accountability plans. See “– Risks Related to COVID-19 – *Effect of the COVID-19 Pandemic on State Funding of School Districts* – Executive Order N-56-20: LCAP Delays” herein.

### **Risks Related to COVID-19**

**General.** The outbreak of COVID-19, a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the U.S. COVID-19 has been characterized as a pandemic by the World Health Organization, and has resulted in a declaration of a national emergency by the Federal Government on March 13, 2020, as a state of emergency by certain states (including by the State of California on March 4, 2020) and by local governments (including a public health emergency declaration by the County on March 4, 2020). The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. The outbreak has resulted in the imposition of stay-at-home orders, restrictions on gatherings and widespread temporary closings of businesses, universities and schools. Multiple states have implemented state-wide school closures, and numerous school districts in the State have implemented school closures. The United States is restricting certain non-U.S. citizens and permanent residents from entering the country.

While the effects of COVID-19 may be temporary, its spread has significantly altered the behavior of businesses and people in a manner that has had substantial negative impacts on global and local economies. Stock markets in the U.S. and globally have seen significant declines attributed to COVID-19 and related stay-at-home orders, and the corresponding decreases in business activity attributable thereto.

**Potential Effects of the COVID-19 Pandemic on Assessed Values and Tax Collection.** The COVID-19 pandemic has resulted in an economic recession that may cause a general market decline in property values, and therefore affecting the assessed value of property, in the District. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. In addition, in response to the COVID-19 pandemic, the State has suspended fees, penalties, costs and interest for delinquent property taxes on certain residential and small business property for taxpayers affected by the COVID-19 pandemic, and the County Treasurer and Tax Collector has provided for the cancellations of penalties for delinquent payment of taxes for taxpayers similarly affected. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value; Proposition 8 Reductions” and “– *Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and Delinquencies” in the body of this Official Statement for more information on the potential effects of the COVID-19 pandemic on assessed valuations of property, tax collection and delinquency rates. The District cannot anticipate the effects of the COVID-19 pandemic on assessed values of property in the District or on collection or delinquency rates of property taxes.

**District Response to the COVID-19 Pandemic.** The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The District cannot predict the extent or duration of the outbreak, what impact it may have on its financial condition or operations, or if there will be any impact on the assessed values of property within the District. There can be no assurances that the spread of COVID-19 or other highly contagious or epidemic diseases will not materially adversely impact the District or result in significant unplanned costs and revenue reductions.

The District is currently receiving guidance on COVID-19 from State and County health officials, which are monitoring the COVID-19 situation, in accordance with COVID-19 guidelines for schools published by the Centers for Disease Control and Prevention. The District was closed effective March 16, 2020 and remained closed through the end of the 2019-20 school year. While the District halted on-site learning, it has taken numerous steps to encourage continued learning for enrolled students. The District is still maintaining essential services including, but not limited to, operations, communications, distance learning, payroll, accounts payable, providing meals for children, and ongoing project management.

The District has incurred operational costs to implement distance learning strategies, deep clean and sanitize its facilities, and purchase additional sanitation and cleaning supplies necessary to maintain sanitation of its facilities. While the District has not changed the start date of the 2020-21 school year, the District is currently evaluating whether or to what extent schools will re-open for the 2020-21 school year. At this time, the District expects that school year will begin with a modified student schedule of alternating days, with significant changes to assignments to accommodate recommendations from the CDC, however such expectations are subject to change as the COVID-19 pandemic evolves. The District cannot evaluate at this time the extent to which staggered schedules, the provision of instructional connectivity for off-site learning, the provision of additional protective equipment for staff or students, additional resources for students, or other social distancing protocols will affect its operations or result in material increased costs.

The District anticipates significant reductions in State funding of school districts throughout the State due to the COVID-19 pandemic, as further described under “Effect of the COVID-19 Pandemic on State Funding of School Districts” and “– Fiscal Year 2020-21 May Revised State Budget.” Such reductions may result in deferrals of payments from the State, and should such reductions materialize and be significant, the District may need to rely on interfund borrowing or the issuance of tax and revenue anticipation notes to manage cash flow during the 2020-21 fiscal year or in the future. The District expects to bring resolutions to the Board to authorize such interfund borrowing and the issuance of tax and revenue anticipation notes. The District also expects to receive funding pursuant to SB 117 and the CARES Act, as discussed under “– Effect of the COVID-19 Pandemic on State Funding of School Districts” and “– Federal response to the COVID-19 Pandemic” herein.

***Effect of the COVID-19 Pandemic on State Funding of School Districts.*** *The Bonds are general obligations of the District only payable solely from ad valorem property taxes and are not payable from the general fund of the District or from any amounts received from the State discussed below. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”*

In prior fiscal years when the State has received significantly reduced revenues, the State has delayed certain payments to school districts. Under certain conditions, the State may suspend funds guaranteed pursuant to Proposition 98 for one or more years, and payments have been suspended in the past during periods of decreased State revenues. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98” in the body of this Official Statement.

While payments from the State may be delayed during the 2020-21 fiscal year and potentially during future fiscal years, the District cannot predict whether such delays will occur, the length of any delay or the amount of funds the payment of which will be delayed.

**Significant Declines in State Revenues.** On March 24, 2020, the State Department of Finance indicated in a budget letter to State agency secretaries and State budget and accounting officials that, despite sustained efforts, COVID-19 continued to spread and was at that time impacting nearly all sectors of the State’s economy. The letter also indicated that these impacts included a severe drop in economic activity, with corresponding negative effects on anticipated revenues. As a result, the impact on revenues was

expected to be immediate, affecting the 19-20 fiscal year, and to produce impacts for the upcoming 2020-21 fiscal year and beyond.

On April 5, 2020, the State Office of Legislative Analyst (the “LAO”) published an Update on State and School District Reserves, indicating that State revenues would be lower than estimated in the January 10, 2020 proposed fiscal year 2020-21 budget (the “Governor’s January Proposed 2020-21 State Budget”). The LAO indicated that the State at that time had \$17.5 billion in reserves, including \$16.5 billion in the BSA and \$900 million in a reserve established to protect safety net services during a recession (the “Safety Net Reserve”). The LAO reported that due to a transfer of \$1.3 billion from the SFEU to its disaster fund to address the effects of COVID-19, the SFEU was then nearly depleted. However, the LAO expected the State to be reimbursed by the Federal government for most – if not all – of the funds transferred from the SFEU. The State may withdraw moneys from the BSA if a “budget emergency” is declared, and the LAO expected that if the State faces a budget deficit in either fiscal year 2019-20 or 2020-21, the conditions for the declaration of a budget emergency would likely exist. See “– Proposition 2” herein.

The LAO noted that the State made its first deposit into the PSSSA in connection with the 2019-20 State Budget for approximately \$377 million, representing less than one percent of State spending on schools in fiscal year 2019-20. The 2020-21 May Revised State Budget contemplates the withdrawal in full of amounts in the PSSSA. See “– Fiscal Year 2020-21 May Revised State Budget” below. School districts, however, may also hold reserves in their local operating accounts, and although there is significant variation in the level of reserves held by the various school districts, the LAO indicates that school district reserves average seventeen percent of school funding statewide. According to the LAO, the median school district holds reserves equal to approximately twenty-two percent of its expenditures, although about twenty-five percent of school districts hold reserves that account for less than fourteen percent of their expenditures. The District holds reserves that account for 23% of its expenditures.

As part of its Official Statement dated April 16, 2020, the State asserted that its General Fund would be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. The State recognized that efforts to respond to and mitigate the spread of COVID-19 have had a severe impact on the State and national economies, triggering a historic drop and ongoing volatility in the stock market, which it expected to lead to a recession. Delayed deadlines for the filing and payment of personal income, corporation, and sales and use taxes further created uncertainties for the State with respect to its General Fund cash flows. The State declared the projections of revenues and expenditures in the Governor’s January Proposed 2020-21 State Budget to be no longer operative due to significant changes in the 2020-21 May Revised State Budget (as defined herein). The 2019-20 May Revised Budget includes significant reductions in school funding for the 2020-21 fiscal year and in the future. See “– Fiscal Year 2020-21 May Revised State Budget” below.

Governor Newsom has enacted a number of executive orders and the State legislature has also adopted legislation in response to the COVID-19 pandemic, some of which affect the funding of school districts in the State, as discussed below:

**SB 117: ADA and Enrollment.** Under current State law, unless waived by the State Department of Education, a temporary shutdown of District school(s) could reduce the average daily attendance and could impact the funding the District receives from the State. On March 13, 2020, Governor Newsom issued Executive Order N-26-20 (the “Executive Order”), qualifying closure of schools to address COVID-19 as a condition preventing maintenance of schools wherein school districts would continue to receive State funding, and encouraging the implementation of distance learning strategies. On March 17, 2020, Governor Newsom signed Senate Bill 117 (“SB 117”) which, among other things, provides that for schools that comply with the Executive Order, only attendance during full school months from July 1, 2019 to and including February 29, 2020, will be reported for apportionment purposes. SB 117 also holds that certain

minimum instructional day and minute requirements will be deemed to have been met during the period complying school districts are closed due to COVID-19, in order to prevent a loss of funding due to the COVID-19 outbreak. The District currently anticipates receiving approximately \$51,763 in supplemental funding as a result of SB 117.

Executive Order N-56-20: LCAP Delays. On April 22, 2020, Governor Newsom signed Executive Order N-56-20, which extends the deadline for school districts to adopt their LCAP and budget overview, from July 1, 2020 to December 15, 2020 subject to certain conditions. One of the conditions to qualify for the extended deadline is for the governing board or body of the school district to adopt a written report to the community, during the same meeting at which it adopts the annual budget due by July 1, 2020, that explains how the school district has responded to COVID-19, including steps taken to deliver distance learning, provide school meals in non-congregated settings, and arrange for supervision of students during ordinary school hours. As discussed above under “– Local Control Funding Formula,” the District receives much of its revenues from LCFF sources, which are comprised of local property taxes and State moneys. The decline in revenue as a consequence of the impacts of COVID-19 has significantly impacted the State and as such, a significant decline in revenue is expected to be available for funding school districts. See “– Fiscal Year 2020-21 May Revised State Budget.”

Executive Orders N-26-20, N-30-20, N-45-20: These orders defined expectations for local educational agencies for service delivery during COVID-19 school closures, suspended state academic assessments for the 2019-20 school year, increased programmatic flexibility for after school programs, and required local educational agencies to be transparent with their communities about actions taken to ensure continuity of student learning during the COVID-19 pandemic.

Additional executive orders or legislation may be enacted in response to the pandemic, but the District cannot predict the nature or content of such orders, or the effect they will have on its operations or finances. In addition, certain of these executive orders have been challenged in the courts by affected plaintiffs. The District cannot predict the outcome of any such litigation or whether any resulting change to any executive order will affect the funding of school districts in the State, including the District.

***Federal Response to the COVID-19 Pandemic.*** On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law, which provides \$30 billion to education, including \$3 billion allocated to state governors to use at their discretion to address the COVID-19 outbreak, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary education. A school district’s share of the \$13.5 billion K-12 education allowance is based on the proportion of Title I funding received for the most recent fiscal year. The District currently anticipates receiving approximately \$1,454,000 in supplemental funding as a result of the CARES Act.

In addition, on March 27, 2020, the California Department of Education received final approval from the U.S. Department of Education to waive certain requirements of the Every Student Succeed Act (“ESSA”) program. As a result, new schools will not be identified as needing Comprehensive Support and Improvement (“CSI”) or Additional Targeted Support and Improvement (“ATSI”) for the 2020-21 school year. Schools that are already identified as CSI or ATSI will remain in their respective status for the 2020-21 school year, eligible to receive additional federal funding.

***State Plan to Re-Open Schools and the Economy.*** On April 27, 2020 the Governors of the States of Colorado and Nevada joined in the coordinated plan announced on April 13, 2020 between the States of California, Washington and Oregon, to lift shelter-in-place orders and gradually re-open economic sectors of the State. The Governor has listed six factors that will be considered with respect to the State, including (1) expanding testing, (2) protecting high risk groups, including seniors, medically vulnerable people, and people in nursing homes and similar facilities, (3) ensuring hospitals have sufficient beds and supplies to

care for patients, (4) progress in developing treatments, (5) the ability of schools and businesses to support physical distancing, and (6) the ability to decide when to reinstate stay-at-home orders, if needed. The Governor suggested that requirements being considered could alter the current practices and behaviors of schools and students, including by requiring staggered school start times, not allowing students to congregate during meal times or recess, limitations or reforms to procedures involving assemblies and physical education, and the potential disallowance of school sporting events, concerts or parent nights. The Governor also suggested that significant sanitation and deep cleaning would be necessary to prevent the spread of COVID-19 in schools and on playgrounds when campuses are reopened. The Governor is engaged in conversations with county public health officials throughout the State, the State Superintendent of Public Instruction, labor leaders, and other leaders in education, and expects to re-evaluate the situation as it evolves based on the rate of hospitalizations, availability of medical equipment, and development of a vaccine.

In a letter to the State Legislature dated May 18, 2020, the superintendents of six large school districts in the State (Los Angeles Unified School District, San Diego Unified School District, San Francisco Unified School District, Oakland Unified School District, Long Beach Unified School District and Sacramento City Unified School District) indicated that the funding cuts described in the 2020-21 May Revised State Budget, combined with the additional expenses to restart schools with measures to prevent spreading the coronavirus among students and staff, will be untenable without additional funding. In addition, on May 20, 2020, the State Superintendent of Public Instruction indicated that due to the significant reductions in school funding described in the 2020-21 May Revised State Budget, certain school openings throughout the State may be delayed until additional funding for safety accommodations is received.

On May 19, 2020, the Center for Disease Control (the “CDC”) released detailed guidance for reopening of schools during the COVID-19 pandemic. The guidelines provide a three-step approach on scaling up operations, promoting health hygiene practices and intense cleaning, training on social distancing protocols, and establishing a plan in the event someone becomes sick and/or schools require closing. Additional recommendations for schools include additional spacing of desks, staggered arrival times, additional protective equipment for staff, practicing daily health checks, and limiting large gatherings, among others.

The District is unable to predict at this time whether these new proposals will be enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 will materially impact its finances or operations.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Federal, State and local government websites, including but not limited to the CDC (<https://www.cdc.gov/coronavirus/2019-nCoV/index.html>), the Governor’s office (<http://www.gov.ca.gov>) and the California Department of Public Health (<http://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites and the District does not assume any responsibility for the accuracy of the information on such websites.*

## **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 whatsoever 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](http://www.dof.ca.gov) and <http://www.ebudget.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 LIMITATIONS AND TAXES 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 also includes a \$3.15 billion non-Proposition 98 General Fund payment to STRS and the PERS Schools Pool on behalf of local educational agencies and community colleges. An estimated \$850 million is buying down the employer contribution rates in 2019-20 and 2020-21 and the remaining \$2.3 billion is being paid toward long-term unfunded liabilities for both systems. Overall, these payments are expected to save schools \$6.1 billion over the next three (3) decades, with an estimated reduction in the out-year contribution rate to STRS of 0.3 percentage points, and to the PERS Schools Pool of 0.1 to 0.3 percentage points.

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.
- 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.

### **Fiscal Year 2020-21 May Revised State Budget**

**Introduction.** On May 14, 2020, Governor Gavin Newsom released his May Revision to the fiscal year 2020-21 budget (the “2020-21 May Revised State Budget”). See “—*Changes in State Budget*” below. The 2020-21 May Revised State Budget describes the State’s pre-pandemic financial situation as a solid fiscal foundation with a strong and diverse economy, historic reserves and a structurally balanced budget. In January, a budget surplus of \$5.6 billion was projected for the 2020-21 fiscal year, and revenues through March were running \$1.35 billion above projections.

However, the COVID-19 pandemic and resulting recession has changed the fiscal landscape dramatically. The 2020-21 May Revised State Budget acknowledges the impact of COVID-19 on State revenues, and proposes actions to support a safe, swift and robust economic recovery by focusing actions to stop the spread of COVID-19, protect core functions like public health, public safety and public education and support those facing the greatest hardships. The 2020-21 May Revised State Budget also indicates a surge in unemployment claims—with increased claims of 4.4 million from mid-March to May 9, and a projected 2020 unemployment rate of 18 percent. Job losses have occurred in nearly every sector of the economy, but they have been most acute in sectors not fully able to telework such as leisure and hospitality, retail trade, and personal services, with lower-wage workers disproportionately bearing the impact of job losses. Personal income is projected to decline by 9 percent in 2020; in 2023, personal income is expected to return to the 2019 level of \$2.6 trillion—\$470 billion or 15 percent below the level expected in the Governor’s January Proposed 2020-21 State Budget.

The 2020-21 May Revised State Budget projects State general fund revenues in the amount of \$136.8 billion in fiscal year 2019-20 and \$137.4 billion in fiscal year 2020-21. This represents a decline of over \$41 billion when compared to the Governor's January Proposed 2020-21 State Budget. This revenue drop, combined with increased costs in health and human services programs and the added costs to address COVID-19, leads to a projected budget deficit of approximately \$54 billion before the changes proposed in the 2020-21 May Revised State Budget. State general fund expenditures for fiscal year 2020-21 are expected to be \$133.9 billion (a decrease of approximately \$12.6 billion from fiscal year 2019-20 general fund expenditures), of which \$47.7 billion (35.6%) is allocated to K-12 education. The 2020-21 May Revised State Budget projects that the State will end fiscal year 2019-20 with a reserve balance of approximately \$14.6 billion (comprised of an approximate balance of -\$1.6 billion in the SFEU and an approximate balance of \$16.2 billion in the BSA), and that the State will end fiscal year 2020-21 with an approximately \$10.3 billion reserve balance (comprised of approximately \$2 billion in the SFEU and approximately \$8.3 billion in the BSA). While the 2020-21 May Revised State Budget would result in a balanced budget next year, a significant structural out-year deficit would remain, increasing to over \$16 billion by 2023-24. Without the actions described therein, the out-year structural deficit would be approximately \$45 billion annually.

The 2020-21 May Revised State Budget includes cost-saving reductions and revenue increases, including: (i) cancellation of \$6.1 billion in program expansions and spending increases that had previously been proposed in the Governor's January Proposed 2020-21 State Budget, including cancellation or reduction of a number of one-time expenditures included in the 2019-20 State Budget; (ii) redirection of \$2.3 billion in extraordinary payments, previously dedicated to paying down schools' long-term unfunded liabilities to STRS and PERS, to instead pay the school employers' retirement contributions to address the decline in the constitutionally required funding for schools and community colleges resulting from the COVID-19 recession; (iii) a drawdown of \$16.2 billion from the BSA over three years (with \$7.8 billion withdrawn in 2020-21) and allocation of \$450 million in fiscal year 2020-21 from the Safety Net Reserve, to offset increased costs in health and human services programs over the next two years; (iv) borrowing and transferring \$4.1 billion from special funds; and (v) temporarily suspending net operating losses and temporarily limiting to \$5 million the amount of credits a taxpayer can use in any given tax year, generating new revenue of \$4.4 billion in 2020-21, \$3.3 billion in 2021-22, and \$1.5 billion in 2022-23 to increase funding for schools and community colleges and maintain other core services.

The 2020-21 May Revised State Budget proposes to strategically use federal funding from the CARES Act funds to support schools, strengthen public health preparedness and response, and support health and human services at the local level in response to the COVID-19 pandemic, as described in more detail below. The 2020-21 May Revised State Budget reflects the request to the Federal government for \$1 trillion in flexible federal funds to support all fifty states and local governments, and identifies reductions to base programs and employee compensation that will be necessary if sufficient federal funding does not materialize.

***K-12 Education.*** The 2020-21 May Revised State Budget includes total funding of \$99.7 billion (\$47.7 billion State general fund and \$52 billion other funds) for all K-12 education programs. The 2020-21 May Revised State Budget notes that attendance in public schools has been on the decline and contains expectations that attendance will decline slightly in fiscal year 2019-20 and decline again in fiscal year 2020-21.

**Proposition 98.** Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Proposition 98 guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, State general fund revenues, per capita personal income, and school attendance growth or decline (the "Proposition 98 Guarantee"). See "CONSTITUTIONAL AND

STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98” in the body of this Official Statement for more information on Proposition 98. The LCFF is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

The COVID-19 Recession is having a massive impact on the economy and the State’s General Fund revenues. This is having an equally significant negative impact on the State’s K-14 Proposition 98 Guarantee. The 2020-21 May Revised State Budget provides Proposition 98 funding of \$65 billion for fiscal year 2020-21, a decline of \$19 billion from the 2020-21 Governor’s Proposed State Budget. This decline in funding is approximately 23 percent of the 2019 Budget Act Proposition 98 funding level. Even more troubling, is that declining average daily attendance and declining per capita income numbers cause the Proposition 98 Guarantee to stay at a depressed level for the entire forecast period.

To mitigate the deleterious impacts of the State’s revenue decline impacts on funding for K-14 schools immediately, the 2020-21 May Revised State Budget proposes the following:

- **Temporary Revenue Increases.** The 2020-21 May Revised State Budget proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These measures along with other more minor tax changes will generate \$4.5 billion in State general fund revenues and approximately \$1.8 billion in benefit to the Proposition 98 guarantee.
- **Federal Funds.** The 2020-21 May Revised State Budget proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor’s Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures, including supporting an earlier start date for the next school year.
- **Revising CalPERS/CalSTRS Contributions.** The 2018-19 State Budget included \$850 million to buy down local educational agency employer contribution rates for STRS and PERS in 2019-20 and 2020-21, as well as \$2.3 billion towards the employer long-term unfunded liability. To provide local educational agencies with increased fiscal relief, the 2020-21 May Revised State Budget proposes redirecting the \$2.3 billion paid to STRS and PERS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the STRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 18.2 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be reduced from 22.67 percent to 20.7 percent in 2020-21 and from 25 percent to 22.84 percent in 2021-22.

The 2020-21 May Revised State Budget also proposes a significant new obligation for schools to avoid a permanently depressed level of funding for K-14 schools. In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2), by a total of approximately \$13 billion. To accelerate the recovery from this funding reduction, the 2020-21 May Revised State Budget proposes to provide supplemental appropriations above the constitutionally required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of State general fund revenues per year, up to a cumulative total of \$13 billion. This will accelerate growth in the Proposition 98 Guarantee, which the Administration proposes to increase as a share of the State general fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the State general fund in Test 1 years. The 2020-21 May Revised State Budget proposes to increase this share of funding to 40 percent by 2023-24.

The 2020-21 May Revised State Budget also reflects the withdrawal of all of the funding in the Public School System Stabilization Account, which was projected at the Governor's January Proposed 2020-21 State Budget to be approximately \$524 million in 2019-20. The 2020-21 May Revised State Budget projects that no additional deposits will be required and the entire amount is available to offset the decline in the Proposition 98 Guarantee.

Learning Loss Mitigation. The 2020-21 May Revised State Budget proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures.

Specifically, funds may be used for:

- Learning supports that begin prior to the start of the school year, and the continuing intensive instruction and supports into the school year.
- Extending the instructional school year, including an earlier start date, by increasing the number of instructional minutes or days.
- Providing additional academic services for pupils, including diagnostic assessments of student learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices and connectivity for the provision of in-classroom and distance learning.
- Providing integrated student supports to address other barriers to learning, such as the provision of health, counseling or mental health services; professional development opportunities to help teachers and parents support pupils in distance-learning contexts; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning.

Funds will be allocated to local educational agencies offering classroom-based instruction based on a formula that takes into account the share of students most heavily impacted by school closures, including students with disabilities, low-income students, English learners, youth in foster care, and homeless youth.

Additionally, the State received \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for COVID-19 related state-level activities. The 2020-21 May Revised State Budget proposes to allocate these funds in the following manner:

- \$100 million for grants to county offices of education for the purpose of developing networks of community schools and coordinating health, mental health, and social service supports for high-needs students. The COVID-19 pandemic has exacerbated conditions associated with poverty, including food insecurity, housing and employment instability, and inadequate health care, which has led to additional barriers to learning.
- \$63.2 million for training and professional development for teachers, administrators, and other school personnel, focused on mitigating opportunity gaps and providing enhanced equity in learning opportunities, addressing trauma-related health and mental health barriers to learning, and developing strategies to support necessary changes in the educational program, such as implementing distance learning and social distancing.

- \$1.5 million for the Department of Education for state operations costs associated with COVID-19 pandemic.

LCFF. Absent additional federal funds, the COVID-19 Recession requires a 10 percent (\$6.5 billion) reduction to LCFF. This reduction includes the elimination of a 2.31 percent cost-of-living adjustment. This reduction will be triggered off if the federal government provides sufficient funding to backfill this cut.

The 2020-21 May Revised State Budget also proposes apportionment deferrals to align Proposition 98 expenditures and resources with the need of local educational agencies to maintain a level of fiscal stability. In 2019-20, the Budget proposes to defer \$1.9 billion of LCFF apportionments to 2020-21. An additional \$3.4 billion is added to the 2019-20 deferral in 2020-21, for a total of \$5.3 billion in LCFF deferrals scheduled for payment in 2021-22.

Special Education. The 2020-21 May Revised State Budget proposes to increase special education base rates to \$645 per pupil (reflecting the suspension of the 2.31 percent cost-of-living adjustment), apportioned on a three-year rolling average of local educational agency ADA (allocated to Special Education Local Plan Areas). This new base rate represents a 15 percent increase in the Proposition 98 State general fund contribution to the base formula funding over the amount provided in the 2018-19 State Budget.

K-12 Categorical Programs. Absent additional federal funds, to limit base reductions to the LCFF, the 2020-21 May Revised State Budget includes the following Proposition 98 reductions to K-12 categorical programs, totaling \$352.9 million: (i) After School Education and Safety: \$100 million; (ii) K-12 Strong Workforce Program: \$79.4 million; (iii) Career Technical Education Incentive Grant Program: \$77.4 million; (iv) Adult Education Block Grant: \$66.7 million; (v) California Partnership Academies: \$9.4 million; (vi) Career Technical Education Initiative: \$7.7 million; (vii) Exploratorium: \$3.5 million; (viii) Online Resource Subscriptions for Schools: \$3 million; (ix) Specialized Secondary Program: \$2.4 million; (x) Agricultural Career Technical Education Incentive Grant: \$2.1 million; and (xi) Clean Technology Partnership: \$1.3 million.

Other K-12 Budget Issues. The 2020-21 May Revised State Budget includes the following other significant adjustments:

- Local Property Tax Adjustments—An increase of \$84.5 million Proposition 98 State general fund in 2019-20 and \$727 million Proposition 98 State general fund in 2020-21 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.
- Full-Day Kindergarten Facilities—A decrease of \$300 million one-time non-Proposition 98 State general fund for construction of new, or retrofit of existing, facilities for full-day kindergarten programs. This is roughly the amount that is unexpended from \$400 million provided for this purpose in the 2018-19 State Budget. The 2020-21 May Revised State Budget proposes sweeping these unexpended program funds to facilitate budgetary resiliency.
- Categorical Program Growth—A decrease of \$10.9 million Proposition 98 State general fund for selected categorical programs, based on updated estimates of average daily attendance.

Flexibilities for Local Educational Agencies. The 2020-21 May Revised State Budget includes the following fiscal and programmatic flexibilities:

- Exemptions for local educational agencies if apportionment deferrals create a documented hardship.
- Authority for local educational agencies to exclude state pension payments on behalf of local educational agencies from the calculation of required contributions to routine restricted maintenance.
- Subject to public hearing, increases on local educational agency internal inter-fund borrowing limits to help mitigate the impacts of apportionment deferrals.
- Authority to use proceeds from the sale of surplus property for one-time general fund purposes.
- Options for specified special education staff to utilize technology-based options to serve students.
- Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020 to August 1, 2021.

The Governor's office intends to work with the Legislature and education stakeholders on other options, including expanded flexibility, to protect core services and minimize impacts on students in the context of reduced funding.

CARES Act Funding for Child Care. The State received \$350.3 million through the federal CARES Act for COVID-19 related child care activities. To maximize the benefits of these funds to providers and families, the 2020-21 May Revised State Budget proposes the following expenditure plan:

- \$144.3 million for state costs associated with SB 89 expenditures, family fee waivers, and provider payment protection.
- \$125 million for one-time stipends for state-subsidized child care providers offering care during the COVID-19 pandemic.
- \$73 million for increased access to care for at-risk children and children of essential workers.
- \$8 million to extend family fee waivers until June 30, 2020.

***LAO Overview of 2020-21 May Revised State Budget.*** The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2020-21 May Revised State Budget entitled "The 2020-21 Budget: Initial Comments on the Governor's May Revision" on May 17, 2020 (the "2020-21 May Revised Budget Overview"). In the 2020-21 May Revised Budget Overview, the LAO summarizes the condition of the 2020-21 May Revised State Budget in light of the public health emergency associated with the COVID-19 pandemic and ensuing severe economic consequences. The LAO also highlights key adjustments to the 2020-21 Proposed State Budget to address an estimated \$54.3 billion budget shortfall. The LAO recognizes the 2020-21 May Revised State Budget proposals including using reserves, baseline adjustments for spending, increasing revenues, adjusting K-14 education spending, reducing overall spending, shifting costs, and using federal funding. The LAO describes the 2020-21 May Revised State Budget as a balanced mix of solutions and suggests the State Legislature address certain weaknesses as it adopts the fiscal plan for the State.

Using Reserves. The LAO notes that, under the 2020-21 May Revised State Budget, the State is estimated to begin the 2020-21 fiscal year with \$17.1 billion across the BSA and the Safety Net Reserve. The 2020-21 May Revised State Budget proposes using roughly half of that total, \$8.3 billion, to address the budget problem in fiscal year 2020-21. It is estimated that the State would end fiscal year 2020-21 with approximately \$10.7 billion in reserves, representing a decrease of \$9.8 billion from the 2020-21 Proposed State Budget. The LAO summarizes that the BSA would reach a balance of approximately \$8.4 billion at the end of fiscal year 2020-21 (representing a net decrease of \$9.6 billion relative to the 2020-21 Proposed State Budget amount), the Special Fund for Economic Uncertainties would reach a balance of approximately \$2 billion at the end of fiscal year 2020-21 (representing an increase of \$320 million relative to the 2020-21 Proposed State Budget amount), and the Safety Net Reserve would decrease to a balance of approximately \$450 million at the end of fiscal year 2020-21.

Adjusting K-14 Education Spending. The LAO notes that the 2020-21 May Revised State Budget includes \$6 billion in reductions to existing K-12 education programs (subject to trigger reductions) and \$5.3 billion in payment deferrals. When the State defers payments to schools from one fiscal year to the next, the State can reduce spending while allowing school districts to continue operating a larger program by borrowing or using cash reserves. Many mitigating actions are associated with rescinding proposals in the 2020-21 Proposed State Budget, which includes \$5.8 billion in one-time federal funding for schools in 2020-21, of which \$4.4 billion was to be used by districts to implement strategies to mitigate the effects of learning loss during school closures. After accounting for these mitigating actions, K-12 funding is about flat on a year-over-year basis. In addition, the Governor proposes creating a new ongoing obligation for schools equal to 1.5 percent of General Fund revenues starting in fiscal year 2021-22. The total obligation would be \$13 billion—the administration’s estimate of the additional funding schools and community colleges would have received if their Proposition 98 funding had continued to grow in fiscal years 2019-20 and 2020-21. The 2020-21 May Revised State Budget also proposes to recalibrate the Proposition 98 formulas so that a portion of these supplemental payments would increase school and community college funding on a permanent basis. Specifically, the State would increase the share of the General Fund revenue required to be spent on schools and community colleges from 38% to 40%. The LAO estimates that this recalibration would make roughly the first \$2.5 billion of the supplemental payments permanent.

Additionally, the LAO notes that the 2020-21 May Revised State Budget proposes repurposing two supplemental pension payments in the 2019-20 State Budget—one to STRS and one to PERS—to supplant school and community college contributions to STRS and PERS for fiscal years 2020-21 and 2021-22. This would result in savings of around \$2.1 billion for school districts, but would forgo the remaining savings anticipated in the 2019-20 State Budget over the next few decades.

Shifting Costs. To shift costs, the LAO notes that in past recessions the State made loans from other State accounts known as special funds to the General Fund to address budget problems. The 2020-21 May Revised State Budget proposes making \$2 billion in loans from 57 separate special funds to the General Fund. Over 90 percent of these loans are less than \$100 million. The administration also proposes control section language that would lend special fund savings from lower employee compensation in fiscal year 2020-21 to the General Fund. The administration estimates this would yield about \$1 billion in loans. The LAO counts these as a trigger reduction because the employee compensation reductions are tied to triggers. Finally, the LAO notes that the administration proposes transferring about \$400 million in special fund balances to the General Fund—amounts that would not be repaid.

Similar to repurposing pension payments for schools, the LAO notes that the 2020-21 May Revised State Budget proposes repurposing a supplemental pension payment of \$2.5 billion in the 2019-20 State Budget to supplant State General Fund contributions to PERS this year. This would result in savings of \$2.4 billion, which the administration scores over multiple years including fiscal year 2021-22. However,

this means the State would forgo the remaining savings over the next few decades, as anticipated by the 2019-209 State Budget.

The 2020-21 May Revised Budget Overview is available on the LAO website at [www.lao.ca.gov](http://www.lao.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Changes in State Budget.*** The final fiscal year 2020-21 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the 2020-21 May Revised State Budget. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2020-21 State budget from the 2020-21 May Revised State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2020-21 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2020-21 State budget will be affected by national and State economic conditions and other factors which the District cannot predict, including the outbreak of COVID-19 that will in turn impact the educational funding that the District receives from the State.

***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](http://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](http://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](http://www.treasurer.ca.gov). The information presented in these websites is not incorporated by reference in this Official Statement.

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

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## APPENDIX B

### FORM OF BOND COUNSEL OPINION

[Closing Date]

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

Re: Arvin Union School District (Kern County, California)  
\$2,990,000 General Obligation Bonds, Election of 2018, Series 2020B (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 \$2,990,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series 2020B (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 June 16, 2020 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR FISCAL YEAR 2018-19**

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**ARVIN UNION SCHOOL DISTRICT  
COUNTY OF KERN  
ARVIN, CALIFORNIA  
AUDIT REPORT  
JUNE 30, 2019**

**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, 2019

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## Financial Section

**Linger, Peterson & Shrum**  
Certified Public Accountants  
575 E. Locust Ave., Suite 308  
Fresno, California 93720-2928

## **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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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 the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions 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, *2018-19 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 13, 2019 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,

A handwritten signature in cursive script that reads "Linger, Peterson & Shrum".

Linger, Peterson & Shrum  
Fresno, California  
December 13, 2019

## 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, 2019

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, 2019. 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 2019 are as follows:

- Total assets increased \$4,194,345. Deferred outflows decreased \$481,692 from the beginning balance. Total liabilities increased \$4,270,845 from the beginning balance. Deferred inflows increased \$223,932. Net position decreased \$782,124 from the beginning net position.
- The District increased its general obligation bonded debt (including accreted interest) by \$3,246,003. The District decreased capital lease obligations by \$186,169. Net OPEB obligations decreased by \$11,857. Compensated absences decreased by \$2,060. The net pension liability increased by \$838,291.
- General revenues accounted for \$40,407,598 in revenue or 76% of all revenues. Program specific revenues, in the form of charges for services, and operating grants and contributions, accounted for \$12,659,086 or 24% of total revenues of \$53,066,684.
- The District had \$53,848,808 in expenses related to governmental activities; only \$12,396,181 of these expenses were offset by program specific operating grants and contributions and \$262,905 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 2019?" 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, 2019.

## **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 2019 compared to 2018.

**Table 1: Net Position**

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 14,690,403	\$ 12,757,842
Capital assets, net	42,127,197	39,865,414
Total Assets	<u>\$ 56,817,601</u>	<u>\$ 52,623,256</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 10,172,235</u>	<u>\$ 10,653,927</u>
<b>Liabilities</b>		
Current liabilities	\$ 2,609,678	\$ 1,951,335
Long-term liabilities	83,384,346	79,771,844
Total Liabilities	<u>\$ 85,994,024</u>	<u>\$ 81,723,179</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 4,487,642</u>	<u>\$ 4,263,710</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 23,521,163	\$ 23,818,640
Restricted	4,326,765	7,573,207
Unrestricted	(51,339,758)	(54,101,553)
Total Net Position	<u>\$ (23,491,830)</u>	<u>\$ (22,709,706)</u>

Total assets increased \$4,194,345. Deferred outflows decreased \$481,692. Total liabilities increased \$4,270,845. Deferred inflows increased \$223,932. Net position decreased \$782,124 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 2019 compared to 2018:

	Governmental Activities	
	2019	2018
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 262,905	\$ 210,849
Operating grants and contributions	12,396,181	10,774,041
General Revenues		
LCFF Sources	33,557,184	30,609,814
Federal Revenue	59,287	37,996
State Revenues	4,634,502	2,739,313
Local Revenues	2,156,625	2,726,262
Total Revenues	<u>\$ 53,066,684</u>	<u>\$ 47,098,275</u>
<b>Program expenses:</b>		
Instruction	\$ 29,696,733	\$ 23,906,379
Instruction-related services	6,599,506	6,194,487
Pupil services	6,983,994	6,340,616
Ancillary services	60,889	47,786
Community services	551,556	640,251
General Administration	2,459,323	2,490,412
Plant services	4,802,252	5,939,365
Other outgo	1,733,974	958,334
Interest on long-term obligations	960,581	993,440
Total Expenses	<u>\$ 53,848,808</u>	<u>\$ 47,511,070</u>
<b>Changes in Net Position</b>	<u>\$ (782,124)</u>	<u>\$ (412,795)</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**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and instruction-related services	\$ 36,296,239	\$ 28,868,578	\$ 30,100,865	\$ 23,871,965
Pupil services	6,983,994	3,329,107	6,340,616	3,063,952
General administration	2,459,323	1,989,102	2,490,412	2,063,069
Plant services	4,802,252	3,810,961	5,939,365	4,998,898
Ancillary services	60,889	49,845	47,786	38,428
Community services	551,556	447,574	640,251	538,094
Other outgo	1,733,974	1,733,974	958,334	958,334
Interest on long-term debt	960,581	960,581	993,440	993,440
	<u>\$ 53,848,808</u>	<u>\$ 41,189,722</u>	<u>\$ 47,511,070</u>	<u>\$ 36,526,180</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 \$53,317,469, and expenditures and other financing uses of \$52,046,520. The positive change in fund balance for the year reflects that the District was 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 2019, 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 \$42,127,197 invested in capital assets. Table 4 reflects fiscal year 2019 balances compared to 2018:

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

	Governmental Activities	
	2019	2018
Land	\$ 1,462,548	\$ 1,462,548
Work in progress	2,070,221	10,582,419
Land Improvements	865,437	325,852
Buildings	36,121,314	25,780,697
Equipment	1,607,677	1,713,898
Totals	<u>\$ 42,127,197</u>	<u>\$ 39,865,414</u>

### **Debt**

At June 30, 2019, the District had \$83,384,346 in long-term debt as compared to \$79,771,844 at June 30, 2018. The balance of the general obligation bonds including accreted interest as of June 30, 2019 was \$20,961,719, which represents 25% 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 2019 balances compared to 2018.

**Table 5: Outstanding Debt, at Year-End**

	Governmental Activities	
	2019	2018
Postemployment health benefits	\$ 24,513,634	\$ 24,525,491
General obligation bonds	16,944,223	14,194,223
Accreted interest on general obligation bonds	4,017,496	3,521,493
Early retirement incentives	550,371	445,015
Capital leases	1,595,030	1,781,199
Compensated absences	254,383	256,443
Net pension liability	35,509,209	34,670,918
Other	-	377,062
Totals	<u>\$ 83,384,346</u>	<u>\$ 79,771,844</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 2019-20 year are budgeted at \$42,676,359, as compared to the 2018-19 actual of \$44,664,818. Expenditures, other uses, and transfers out are budgeted for 2019-20 at \$41,820,691, as compared to the 2018-19 actual of \$44,316,901.

## **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, 2019

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 10,121,891
Cash on Hand and in Banks	195,406
Cash in Revolving Fund	6,000
Investments	1,532,732
Accounts Receivable	2,679,010
Due from Grantor Governments	(2)
Internal Balances	1
Stores Inventories	23,650
Prepaid Expenses	117,995
Unamortized Issuance Costs	13,721
Capital Assets:	
Land	1,462,548
Land Improvements, Net	865,437
Buildings, Net	36,121,314
Equipment, Net	1,607,677
Work in Progress	2,070,221
Total Assets	<u>56,817,601</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows of Resources - Pensions	10,172,235
Total Deferred Outflows of Resources	<u>10,172,235</u>
<b>LIABILITIES:</b>	
Accounts Payable	2,081,582
Unearned Revenue	528,096
Noncurrent Liabilities:	
Net Pension Liability	35,509,209
Other Postemployment Benefit Obligation	24,513,634
Due within one year	856,362
Due in more than one year	22,505,141
Total Liabilities	<u>85,994,024</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows of Resources - Pensions	4,487,642
Total Deferred Inflows of Resources	<u>4,487,642</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	23,521,163
Restricted For:	
Debt Service	979,066
Capital Projects	2,826,641
Other Purposes	521,058
Unrestricted	(51,339,758)
Total Net Position	<u>\$ (23,491,830)</u>

The accompanying notes are an integral part of this statement.

**ARVIN UNION SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Instruction	\$ 29,696,733	\$ 151,131	\$ 6,025,965	\$ (23,519,637)
Instruction-Related Services	6,599,506	31,795	1,218,770	(5,348,941)
Pupil Services	6,983,994	38,002	3,616,885	(3,329,107)
Ancillary Services	60,889	295	10,749	(49,845)
Community Services	551,556	2,770	101,212	(447,574)
General Administration	2,459,323	12,527	457,694	(1,989,102)
Plant Services	4,802,252	26,385	964,906	(3,810,961)
Other Outgo	1,733,974	-	-	(1,733,974)
Interest on Long-Term Obligations	960,581	-	-	(960,581)
Total Governmental Activities	<u>53,848,808</u>	<u>262,905</u>	<u>12,396,181</u>	<u>(41,189,722)</u>
Total Primary Government	<u>\$ 53,848,808</u>	<u>\$ 262,905</u>	<u>\$ 12,396,181</u>	<u>(41,189,722)</u>
General Revenues:				
				33,557,184
LCFF Sources				59,287
Federal Revenues				4,634,502
State Revenues				2,156,625
Local Revenues				<u>40,407,598</u>
Total General Revenues				(782,124)
Change in Net Position				(22,709,706)
Net Position - Beginning				<u>\$ (23,491,830)</u>
Net Position - Ending				

The accompanying notes are an integral part of this statement.

**ARVIN UNION SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 5,892,017	\$ 2,180,526	\$ 2,049,348	\$ 10,121,891
Cash on Hand and in Banks	12,803	-	182,603	195,406
Cash in Revolving Fund	5,000	-	1,000	6,000
Investments	888,986	-	643,746	1,532,732
Accounts Receivable	2,223,106	13,123	442,781	2,679,010
Due from Grantor Governments	(2)	-	-	(2)
Due from Other Funds	5,846,392	263,567	186,967	6,296,926
Stores Inventories	-	-	23,650	23,650
Prepaid Expenditures	-	-	117,995	117,995
<b>Total Assets</b>	<u>14,868,302</u>	<u>2,457,216</u>	<u>3,648,090</u>	<u>20,973,608</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 1,662,308	\$ 221,613	\$ 130,880	\$ 2,014,801
Due to Other Funds	5,553,857	-	743,068	6,296,925
Unearned Revenue	526,954	-	1,142	528,096
<b>Total Liabilities</b>	<u>7,743,119</u>	<u>221,613</u>	<u>875,090</u>	<u>8,839,822</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	127,697	2,235,603	1,963,465	4,326,765
Assigned Fund Balances	4,551,177	-	666,890	5,218,067
Unassigned:				
Reserve for Economic Uncertainty	3,119,760	-	-	3,119,760
Other Unassigned	(678,451)	-	-	(678,451)
<b>Total Fund Balance</b>	<u>7,125,183</u>	<u>2,235,603</u>	<u>2,773,000</u>	<u>12,133,786</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,868,302</u>	<u>\$ 2,457,216</u>	<u>\$ 3,648,090</u>	<u>\$ 20,973,608</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 POSITION  
JUNE 30, 2019

Total Fund Balances - Balance Sheet, Governmental Funds	\$ 12,133,786
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	60,222,669
Accumulated depreciation	(18,095,472)
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	13,721
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(66,781)
General obligation bonds payable	(16,944,223)
Accreted interest	(4,017,496)
Other post-employment benefits payable (OPEB)	(24,513,634)
Net pension liability	(35,509,209)
Compensated absences payable	(254,383)
Capital leases payable	(1,595,030)
Early Retirement Incentives-STRS	(493,922)
Early Retirement Incentives-PERS	(56,449)
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	10,172,235
Deferred inflows of resources related to pensions	(4,487,642)
Total Fund Balance of Governmental Activities - Statement of Net Position	<u>\$ (23,491,830)</u>

The accompanying notes are an integral part of this statement.

**ARVIN UNION SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 26,544,182	\$ -	\$ -	\$ 26,544,182
Education Protection Account Funds	4,670,536	-	-	4,670,536
Local Sources	2,342,466	-	-	2,342,466
Federal Revenue	3,826,957	-	2,642,727	6,469,684
Other State Revenue	4,763,114	-	665,616	5,428,730
Other Local Revenue	2,017,563	14,781	1,931,798	3,964,142
Total Revenues	<u>44,164,818</u>	<u>14,781</u>	<u>5,240,141</u>	<u>49,419,740</u>
Expenditures:				
Current:				
Instruction	24,819,342	-	498,115	25,317,457
Instruction - Related Services	5,684,424	-	56,402	5,740,826
Pupil Services	3,239,131	-	2,865,185	6,104,316
Ancillary Services	53,746	-	-	53,746
Community Services	494,449	-	-	494,449
General Administration	2,240,441	-	-	2,240,441
Plant Services	4,374,223	67,883	76,523	4,518,629
Other Outgo	1,571,398	-	-	1,571,398
Capital Outlay	727,604	1,254,835	1,855,439	3,837,878
Debt Service:				
Principal	563,231	-	635,000	1,198,231
Interest	48,912	-	420,237	469,149
Total Expenditures	<u>43,816,901</u>	<u>1,322,718</u>	<u>6,406,901</u>	<u>51,546,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>347,917</u>	<u>(1,307,937)</u>	<u>(1,166,760)</u>	<u>(2,126,780)</u>
Other Financing Sources (Uses):				
Transfers In	500,000	-	-	500,000
Transfers Out	(500,000)	-	-	(500,000)
Proceeds From Sale of Bonds	-	3,223,725	-	3,223,725
Other Sources	-	10,500	163,504	174,004
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,234,225</u>	<u>163,504</u>	<u>3,397,729</u>
Net Change in Fund Balance	347,917	1,926,288	(1,003,256)	1,270,949
Fund Balance, July 1	6,777,266	309,315	3,776,256	10,862,837
Fund Balance, June 30	<u>\$ 7,125,183</u>	<u>\$ 2,235,603</u>	<u>\$ 2,773,000</u>	<u>\$ 12,133,786</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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 1,270,949
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	3,957,585
Depreciation expense	(1,695,802)
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:	
	1,198,231
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	(491,432)
Compensated absences	2,060
Other post-employment benefits cost in excess of contributions	11,857
Early Retirement Incentives-STRS	(198,635)
Early Retirement Incentives-PERS	93,279
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Amounts recognized in the funds as proceeds from debt were:	
	(3,223,725)
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:	
	(1,301)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(161,275)
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:	
	<u>(1,543,915)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u>(782,124)</u>

The accompanying notes are an integral part of this statement.

**ARVIN UNION SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2019

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 41,283
Total Assets	<u>41,283</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 41,283
Total Liabilities	<u>41,283</u>
<b>NET POSITION:</b>	
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, 2019

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, 2019

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.

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

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.

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.

**ARVIN UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements:

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year 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.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

5. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressors	10
Grounds equipment	Mowers, tractors, attachments	15

d. Receivable and Payable 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.

**ARVIN UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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 and 65.

7. GASB 54 Fund Presentation

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

8. Pensions

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

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

Valuation Date (VD) (STRS)	June 30, 2018
Valuation Date (VD) (PERS)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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.

**ARVIN UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

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. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to 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.

*GASB Statement No. 83, Certain Asset Retirement Obligations*

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

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.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**B. Excess of Expenditures Over Appropriations**

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ 348,566
Employee Benefits	2,729,555
Other Outgo	447,898
Direct Support/Indirect Costs	10,078
Child Development Fund:	
Certified Salaries	12,159
Classified Salaries	28,939
Employee Benefits	43,961
Books and Supplies	14,845
Services And Other Operating Expenditures	6,404
Cafeteria Fund:	
Classified Salaries	66,865
Employee Benefits	236,873
Books and Supplies	202,027
Services And Other Operating Expenditures	35,081
Capital Outlay	4,727
Building Fund:	
Services And Other Operating Expenditures	67,883
Capital Outlay	1,254,835
Capital Facilities Fund:	
Capital Outlay	1,450,712

General Fund: The District incurred unanticipated expenditures for inflationary salary increases. The District also recognized additional employee benefits expenditures as result of on-behalf STRS and PERS contributions paid by the State of California on behalf of the District, pursuant to Senate Bill Number 90 (SB-90).

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

Cafeteria Fund: The District incurred unanticipated expenditures for inflationary increases and contract services.

Building Fund: Capital Outlay expenditures were incurred earlier than originally anticipated.

Capital Facilities Fund: Capital Outlay expenditures were incurred earlier than originally anticipated.

**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 (\$10,121,891 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$10,121,891. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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

Cash balances on hand and in banks (\$195,406 as of June 30, 2019) and in the revolving fund (\$6,000) 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, 2019 are shown below.

<u>Investments or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Cash in County Treasury	Less than 12 months	\$ 10,121,891
Cash on Hand and in Banks	Less than 12 months	195,406
Cash in Revolving Fund	Less than 12 months	6,000
Investments	Less than 12 months	1,532,732
Total Investments		<u>\$ 11,856,029</u>

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 significant 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 significant 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 significant 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 significant interest rate risk.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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 significant foreign currency risk.

5. Investment Accounting Policy

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

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

D. Accounts Receivable

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

	General Fund	All Other Government Funds	Total Governmental Funds
Federal programs	\$ 1,873,829	\$ 378,385	\$ 2,252,214
State categorical aid programs	264,092	59,950	324,042
Other local receivables	85,183	17,569	102,752
Total	<u>\$ 2,223,104</u>	<u>\$ 455,904</u>	<u>\$ 2,679,008</u>

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**E. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,462,548	\$ -	\$ -	\$ 1,462,548
Work in progress	10,582,419	3,232,696	11,744,894	2,070,221
Total capital assets not being depreciated	<u>12,044,967</u>	<u>3,232,696</u>	<u>11,744,894</u>	<u>3,532,769</u>
Capital assets being depreciated:				
Buildings	38,623,483	11,744,894	-	50,368,377
Improvements	1,568,253	573,170	-	2,141,423
Equipment	4,028,381	151,719	-	4,180,100
Total capital assets being depreciated	<u>44,220,117</u>	<u>12,469,783</u>	<u>-</u>	<u>56,689,900</u>
Less accumulated depreciation for:				
Buildings	(12,842,786)	(1,404,277)	-	(14,247,063)
Improvements	(1,242,401)	(33,585)	-	(1,275,986)
Equipment	(2,314,483)	(257,940)	-	(2,572,423)
Total accumulated depreciation	<u>(16,399,670)</u>	<u>(1,695,802)</u>	<u>-</u>	<u>(18,095,472)</u>
Total capital assets being depreciated, net	<u>27,820,447</u>	<u>10,773,981</u>	<u>-</u>	<u>38,594,428</u>
Governmental activities capital assets, net	<u>\$ 39,865,414</u>	<u>\$ 14,006,677</u>	<u>\$ 11,744,894</u>	<u>\$ 42,127,197</u>

Depreciation was charged to functions as follows:

Instruction	\$ 715,922
Instruction-Related Services	134,541
Pupil Services	192,445
Community Services	991
General Administration	17,068
Plant Services	634,835
	<u>\$ 1,695,802</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, 2019, consisted of the following:

Fund	Due From	Due To
General Fund	\$ 598,068	\$ 305,534
Child Development Fund	74,732	235,481
Cafeteria Special Revenue Fund	37,381	507,587
Building Fund	263,567	-
Capital Facilities Fund	74,854	-
Total	<u>\$ 1,048,602</u>	<u>\$ 1,048,602</u>

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

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**G. Accounts Payable**

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

	General Fund	All Other Government Funds	Total Governmental Funds
Vendor payables	\$ 1,335,465	\$ 334,075	\$ 1,669,540
Salaries and benefits	313,494	16,418	329,912
State categorical aid programs	13,349	2,000	15,349
<b>Total</b>	<b>\$ 1,662,308</b>	<b>\$ 352,493</b>	<b>\$ 2,014,801</b>

**H. Unearned Revenue**

The District has received revenues for programs as advances, or before program expenditures were incurred. Such revenues are reported in these statements as "unearned", and will be recognized in subsequent periods as program expenditures are made.

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

	General Funds	Child Development Funds	Total Governmental Funds
State Preschool Grant (16-17)	\$ 585	\$ -	\$ 585
After School Kids Code Grant Pilot Program	74,018	-	74,018
NSLP Equipment Assistance Grants	18,936	-	18,936
Title III, English Learner Student Program	28,946	-	28,946
Title I, Part A, Basic Grants Low Income and Neglected	404,469	-	404,469
Quality Improvement Activities	-	1,142	1,142
<b>Total:</b>	<b>\$ 526,954</b>	<b>\$ 1,142</b>	<b>\$ 528,096</b>

**I. 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, 2019, are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 14,194,223	\$ 3,385,000	\$ 635,000	\$ 16,944,223	560,000
Accreted Interest	3,521,493	496,003	-	4,017,496	-
Capital leases	1,781,199	-	186,169	1,595,030	202,371
Other postemployment benefits payable	24,525,491	-	11,857	24,513,634	-
Compensated absences	256,443	-	2,060	254,383	-
Net pension liability	34,670,918	838,291	-	35,509,209	-
Contract payable	377,062	-	377,062	-	-
Early retirement incentives - STRS	390,845	198,635	95,558	493,922	78,926
Early retirement incentives - PERS	38,051	31,193	12,795	56,449	7,934
Early retirement incentives - PARS	16,119	-	16,119	-	-
<b>Total governmental activities</b>	<b>\$ 79,771,844</b>	<b>\$ 4,949,122</b>	<b>1,336,620</b>	<b>83,384,346</b>	<b>849,231</b>

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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

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

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

The outstanding general obligation bond debt of the District at June 30, 2019, is as follows:

Bond	Issue Date	Maturity Date	Interest Rate %
2004, Series 2004A	5/27/04	5/1/48	3.25-5.90
2004, Series 2008	8/14/08	5/1/48	2.25-6.20
2014, 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
2018, Series 2019A	3/7/19	11/1/48	3.50-5.00

Bond	Original Issue	Bonds		Bonds	
		Outstanding July 1, 2018	Issued During Year	Redeemed During Year	Outstanding June 30, 2019
2004, Series 2004A	5,059,349	129,349	-	-	129,349
2004, Series 2008	5,059,874	4,784,874	-	50,000	4,734,874
2014, Series 2015A	3,115,000	2,630,000	-	60,000	2,570,000
Refunding Bond, Series 2015A	3,860,000	3,150,000	-	285,000	2,865,000
2014, Series 2017B	3,500,000	3,500,000	-	-	3,500,000
2018, Series 2019A	3,385,000	-	3,385,000	240,000	3,145,000
	<u>\$ 23,979,223</u>	<u>\$ 14,194,223</u>	<u>\$ 3,385,000</u>	<u>\$ 635,000</u>	<u>\$ 16,944,223</u>

The annual requirements to amortize general obligation bonds, payable and outstanding, and accreted interest as of June 30, 2019 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2020	560,000	548,349	1,108,349
2021	930,000	500,312	1,430,312
2022	810,000	461,376	1,271,376
2023	565,000	431,613	996,613
2024	630,000	406,800	1,036,800
2025-2029	2,069,349	3,543,764	5,613,113
2030-2034	1,814,579	5,137,082	6,951,661
2035-2039	2,756,004	5,756,505	8,512,509
2040-2044	3,629,830	6,743,545	10,373,375
2045-2049	3,179,461	6,958,348	10,137,809
Totals	<u>\$ 16,944,223</u>	<u>\$ 30,487,694</u>	<u>\$ 47,431,917</u>

**ARVIN UNION SCHOOL DISTRICT**  
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<u>Year Ending June 30,</u>	<u>Accreted Interest</u>
2020	\$ -
2021	-
2022	-
2023	-
2024	-
2025-2029	580,645
2030-2034	976,095
2035-2039	937,137
2040-2044	839,754
2045-2049	683,865
Totals	<u>\$ 4,017,496</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2019, as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Lease Payment</u>
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	253,105	16,668	269,773
2025-2026	459,190	15,236	474,426
Total Minimum Rentals	<u>\$ 1,595,030</u>	<u>\$ 151,665</u>	<u>\$ 1,746,695</u>

4. Early Retirement Incentive

The Board has adopted early retirement incentive programs. 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 CalSTRS to eligible certificated employees and early retirement incentives under CalPERS to eligible classified employees.

The Board adopted an early retirement incentive program through the PARS Supplementary Retirement Plan. The District entered into contracts with certain eligible employees who receive supplementary retirement benefits. Eligible Certificated Non-Management, and Certificated and Classified Management employees receive five annual contributions of \$10,000 to a 403(b) annuity contract, beginning in December 2014. Eligible Classified or Confidential employees receive five annual contributions of \$4,000 to a 403(b) annuity contract, beginning in December 2014. The final payment under this plan was made during the fiscal year. There are no longer any obligations remaining under this plan as of the end of the fiscal year.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 93,991	\$ 33,396	\$ 127,387
2021	88,756	27,385	116,141
2022	89,712	22,056	111,768
2023	81,280	16,674	97,954
2024	72,789	11,799	84,588
2025-2029	123,843	12,986	136,829
Totals	<u>\$ 550,371</u>	<u>\$ 124,296</u>	<u>\$ 674,667</u>

**ARVIN UNION SCHOOL DISTRICT**  
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J. Compensated Absences

Compensated absences at June 30, 2019 consisted of:

Classified	Compensated Absences	Benefits	Totals
	\$ 232,483	\$ 21,900	\$ 254,383

All amounts are due after one year.

K. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2019, as follows:

<u>Year Ending June 30,</u>	
2020	\$ 4,380
2021	4,380
2022	4,380
2023	2,920
Total Minimum Rentals	<u>\$ 16,060</u>

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

L. 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 Paid

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.

**ARVIN UNION SCHOOL DISTRICT**  
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The Plans' provisions and benefits in effect at June 30, 2019 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	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

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

\*\*The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	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, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30), 2018, Section 22950 of the California Education code requires members to contribute monthly to the system 10.205% (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 16.28% of creditable compensation for the fiscal year ended June 30, 2019 Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 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 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 the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 1,096,676	\$ 817,486
2018	8.292%	1,206,895	1,232,350
2019	14.772%	2,278,537	2,293,777

  

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	6.053%	\$ 353,735	\$ 353,735

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 2,511,201	\$ 1,055,493	\$ 3,566,694
Contributions - State On Behalf Payments	2,278,537	353,735	2,632,272
Total Contributions	\$ 4,789,738	\$ 1,409,228	\$ 6,198,966

  

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 2,100,191	\$ 801,682	\$ 2,901,873
Contributions - State On Behalf Payments	2,278,537	353,735	2,632,272
Total Contributions	\$ 4,378,728	\$ 1,155,417	\$ 5,534,145

**ARVIN UNION SCHOOL DISTRICT**  
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**YEAR ENDED JUNE 30, 2019**

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

As of June 30, 2019, 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	\$ 25,187,105
CalPERS	10,322,104
Total Net Pension Liability	<u>\$ 35,509,209</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0278%	0.0165%	0.0443%	0.0377%
Proportion June 30, 2019	0.0274%	0.0157%	0.0432%	0.0387%
Change in Proportion	-0.0004%	-0.0007%	-0.0011%	0.0010%

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (490,036)	\$ 1,328,326	\$ 838,290
State On Behalf Pension Expense	2,293,777	353,735	2,647,512
Employer Contributions to Pension Expense	2,511,201	1,055,493	3,566,694
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(348,501)	(255,925)	(604,426)
Difference Between Actual & Expected Experience	22,157	(533,776)	(511,619)
Change in Assumptions	1,109,934	210,930	1,320,864
Change in Proportionate Shares	433,504	(156,631)	276,873
Net Difference Between Projected & Actual Earnings	-	-	-
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	20,343	(8,949)	11,394
Change in Assumptions	-	(21,879)	(21,879)
Change in Proportionate Shares	265,603	(24,416)	241,187
Net Difference Between Projected & Actual Earnings	247,763	(254,533)	(6,770)
Total Pension Expense	<u>\$ 6,065,745</u>	<u>\$ 1,692,375</u>	<u>\$ 7,758,120</u>

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 2,511,201	\$ 1,055,493	\$ 3,566,694
Differences between actual and expected experience	66,469	694,074	760,543
Changes in assumptions	3,329,800	1,190,332	4,520,132
Change in employer's proportionate share	1,001,038	323,828	1,324,866
Net difference between projected and actual earnings	-	-	-
Total Deferred Outflows of Resources	<u>\$ 6,908,508</u>	<u>\$ 3,263,727</u>	<u>\$ 10,172,235</u>

  

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (21,145)	\$ (17,898)	\$ (39,043)
Changes in assumptions	-	(43,759)	(43,759)
Change in employer's proportionate share	(265,603)	(48,833)	(314,436)
Net difference between projected and actual earnings	(2,679,860)	(1,410,544)	(4,090,404)
Total Deferred Inflows of Resources	<u>\$ (2,966,608)</u>	<u>\$ (1,521,034)</u>	<u>\$ (4,487,642)</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, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 4,076,795	\$ 1,715,599	\$ (893,990)	\$ (614,408)	4,283,996
2021	1,565,593	660,106	(893,988)	(614,405)	717,306
2022	1,266,120	660,109	(893,093)	(231,297)	801,839
2023	-	227,913	(285,537)	(60,924)	(118,548)
2024	-	-	-	-	-
Total	<u>\$ 6,908,508</u>	<u>\$ 3,263,727</u>	<u>\$ (2,966,608)</u>	<u>\$ (1,521,034)</u>	<u>5,684,593</u>

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year	CalSTRS	CalPERS
	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

**ARVIN UNION SCHOOL DISTRICT**  
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- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) 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 respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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.

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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 Asset Allocation	Long Term Expected Real Rate of 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%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

\*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

\* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

\*\* An expected inflation of 2.00% used for this period

\*\*\* An expected inflation of 2.92% used for this period

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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	\$ 36,897,519	\$ 15,028,491
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 25,187,105	\$ 10,322,104
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 15,479,733	\$ 6,417,484

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

CalSTRS - Governmental Activities

	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, 2018 (Previously Reported)	\$ 133,981,845	\$ 93,057,486	\$ 40,924,359	\$ 15,247,218	\$ 25,677,141
Changes for the year:					
CalSTRS Auditor Adjustment	-	(219,657)	219,657	80,162	139,495
Change in Prop share	(3,324,416)	(2,308,983)	(1,015,433)	(682,504)	(332,929)
Service Cost	3,082,130	-	3,082,130	1,124,794	1,957,336
Interest	9,276,599	-	9,276,599	3,385,405	5,891,194
Differences between expected and actual experience	(40,566)	-	(40,566)	(14,804)	(25,762)
Contributions:					
Employer	-	2,100,208	(2,100,208)	(766,451)	(1,333,757)
Employee	-	1,508,805	(1,508,805)	(550,624)	(958,181)
State On Behalf Payments	-	1,206,904	(1,206,904)	(440,448)	(766,456)
Net Investment Income	-	8,058,565	(8,058,565)	(2,940,895)	(5,117,670)
Other Income	-	45,375	(45,375)	(16,559)	(28,816)
Benefit Payments, including refunds of employee contributions	(6,273,311)	(6,273,311)	-	-	-
Administrative expenses	-	(93,251)	93,251	34,031	59,220
Borrowing Costs	-	(40,673)	40,673	14,843	25,830
Other Expenses	-	(724)	724	264	460
Net Changes	2,720,436	3,983,257	(1,262,822)	(772,786)	(490,036)
Balance at June 30, 2019	\$ 136,702,281	\$ 97,040,743	\$ 39,661,537	\$ 14,474,432	\$ 25,187,105

**ARVIN UNION SCHOOL DISTRICT**  
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CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 31,974,310	\$ 22,980,532	\$ 8,993,778
Changes for the year:			
Change in Proportionate Share	881,810	633,773	248,037
Service Cost	841,116	-	841,116
Interest	2,386,933	-	2,386,933
Differences between expected and actual experience	717,314	-	717,314
Change in Assumptions	174,233	-	174,233
Contributions:			
Employer	-	801,681	(801,681)
Employee	-	368,927	(368,927)
Net Investment Income	-	1,972,452	(1,972,452)
Plan to Plan Resource Movement	-	1	(1)
Benefit Payments, including refunds of employee contributions	(1,569,084)	(1,569,084)	-
Administrative expenses	-	(35,789)	35,789
Other expenses	-	(67,965)	67,965
Net Changes	<u>3,432,322</u>	<u>2,103,996</u>	<u>1,328,326</u>
Balance at June 30, 2019	<u>\$ 35,406,632</u>	<u>\$ 25,084,528</u>	<u>\$ 10,322,104</u>

M. Other Retirement Plans

Section 403(b) Tax-Sheltered Annuity Plan

Plan Description

The District's Board of Trustees authorized the establishment of a Section 403(b) Tax-Sheltered Annuity Plan. This is a retirement plan funded by elective deferrals made under salary reduction agreements.

Funding Policy

All eligible employees electing to participate in this plan choose the amount of monthly compensation deferrals up to the maximums allowed by the Internal Revenue Code and its regulations and rulings. The District does not contribute to the plan on behalf of participating employees.

N. 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.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

Retiree Information

A total of 4 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>
TOSA	63	38	\$ 109,632	\$ 38,596	\$ 106,406	\$ 37,978
Teacher	68	19	69,768	30,955	50,658	27,291
Principal	72	23	135,368	43,530	130,560	42,608
Teacher	55	17	87,104	34,278	50,658	27,291
Totals			<u>\$ 401,872</u>	<u>\$ 147,359</u>	<u>\$ 338,282</u>	<u>\$ 135,168</u>

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	\$ 252,267
Health Benefit Costs	140,640
Administrative Costs	1,440
Total Additional Costs	<u>\$ 394,347</u>

Yearly Payroll Savings

The District expects this early retirement program to generate annual payroll savings of \$75,781 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 \$394,347 in additional costs before savings. The program has a pay-back period of 5.204 years.

O. 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 under a single employer defined benefit OPEB plan. 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).

Benefit provisions and the authority to pay benefits as they come due are established and may be amended by the District, as approved by the Board of Education. The OPEB Plan is administered by the District. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

**ARVIN UNION SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2019

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.

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, 2019, 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 \$24,513,634 as of June 30, 2019, and was determined using actuarial assumptions and other inputs.

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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	4.00%
Healthcare Cost Trend Rates	4.00% per year
Retiree's Share of Costs	0.00% of projected health insurance premiums

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

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

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

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 24,525,491
Changes for the year:	
Service cost	777,765
Interest	981,020
Benefit payments	<u>(1,770,642)</u>
Net changes	<u>(11,857)</u>
Balance at June 30, 2019	<u>\$ 24,513,634</u>

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2019.

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 or 1-percentage-point-higher than the current discount rate:

	<u>1% Decrease 3.00%</u>	<u>Discount Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Total OPEB Liability	\$ 26,164,304	\$ 24,513,634	\$ 22,988,487

**ARVIN UNION SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2019

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00%	Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	\$ 23,322,183	\$ 24,513,634	\$ 25,463,669

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$921,384.

At June 30, 2019 the District reported no deferred outflows or inflows of resources related to other postemployment benefits.

P. 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 of June 30, 2019 as follows:

Pending appeals for taxes	\$ 165,497
Pending appeals for interest	5,243
Total	<u>170,740</u>
Less amount held by Kern County Auditor-Controller	(196,199)
Net Contingent Liability	<u>\$ (25,459)</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.

Q. Construction in Progress

The District has construction contracts-in-progress as follows:

	Project Authorization	Expended to 6/30/2019	Remaining Commitment
Bear Mountain Elementary classroom building	\$ 3,471,000	\$ 2,092,220	\$ 1,378,780

**ARVIN UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

R. Restricted Fund Balances

Restricted fund balances at June 30, 2019 are as follows:

Other restricted local	\$	103,759
Classified Employee Professional Development Block Grant		23,938
Child Development Fund		65,110
Cafeteria Fund		328,251
Building Fund		2,235,603
Capital Facilities Fund		591,033
County Schools Facilities Fund		5
Bond Interest and Debt Service Fund		<u>979,066</u>
 Totals	 \$	 <u><u>4,326,765</u></u>

S. 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.

**ARVIN UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

Condensed financial information for the above JPAs for the year ended June 30, 2019 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

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

T. 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, 2019. Those newly issued pronouncements are as follows:

GASB Statement No. 84 - Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District is currently evaluating what impact, if any, the implementation of this pronouncement will have on the financial statements.

GASB Statement No. 87 - Leases

This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement also clarifies the definition and identification of leases.

The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District is currently evaluating what impact, if any, the implementation of this pronouncement will have on the financial statements.

## 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 26,813,409	\$ 26,947,884	\$ 26,544,182	\$ (403,702)
Education Protection Account Funds	3,626,872	3,937,816	4,670,536	732,720
Local Sources	2,432,951	2,420,934	2,342,466	(78,468)
Federal Revenue	3,753,027	4,369,962	3,826,957	(543,005)
Other State Revenue	3,772,639	3,306,829	4,763,114	1,456,285
Other Local Revenue	320,000	320,000	2,017,563	1,697,563
Total Revenues	<u>40,718,898</u>	<u>41,303,425</u>	<u>44,164,818</u>	<u>2,861,393</u>
Expenditures:				
Current:				
Certificated Salaries	15,565,301	16,435,456	16,107,062	328,394
Classified Salaries	4,740,212	4,936,884	5,285,450	(348,566)
Employee Benefits	9,504,494	9,783,267	12,512,822	(2,729,555)
Books And Supplies	3,108,535	3,161,201	2,274,084	887,117
Services And Other Operating Expenditures	4,900,958	4,883,207	4,726,338	156,869
Other Outgo	1,095,000	1,123,500	1,571,398	(447,898)
Direct Support/Indirect Costs	(10,078)	(10,078)	-	(10,078)
Capital Outlay	890,000	1,218,321	727,604	490,717
Debt Service:				
Principal	-	-	563,231	(563,231)
Interest	-	-	48,912	(48,912)
Total Expenditures	<u>39,794,422</u>	<u>41,531,758</u>	<u>43,816,901</u>	<u>(2,285,143)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>924,476</u>	<u>(228,333)</u>	<u>347,917</u>	<u>576,250</u>
Other Financing Sources (Uses):				
Transfers In	-	-	500,000	500,000
Transfers Out	-	-	(500,000)	(500,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	924,476	(228,333)	347,917	576,250
Fund Balance, July 1	<u>6,777,266</u>	<u>6,777,266</u>	<u>6,777,266</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 7,701,742</u>	<u>\$ 6,548,933</u>	<u>\$ 7,125,183</u>	<u>\$ 576,250</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 \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.027%	0.025%	0.027%	0.030%	0.032%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$ 25,187,105	\$ 25,677,139	21,699,537	19,820,000	18,284,000	\$ -	\$ -	\$ -	\$ -	-
State's proportionate share of the net pension liability (asset) associated with the District	14,474,432	15,247,219	14,216,486	10,483,000	11,041,000	-	-	-	-	-
<b>Total</b>	<b>\$ 39,661,537</b>	<b>\$ 40,924,358</b>	<b>\$ 35,916,023</b>	<b>\$ 30,303,000</b>	<b>\$ 29,325,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
District's covered-employee payroll	\$ 16,297,033	\$ 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	154.55%	398.26%	259.83%	189.07%	165.60%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	70.99%	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 \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,511,201	\$ 2,162,700	1,050,626	1,533,128	1,213,395	\$ -	\$ -	\$ -	\$ -	-
Contributions in relation to the contractually required contribution	(2,511,201)	(2,162,700)	(1,050,626)	(1,533,128)	(1,213,395)	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 16,297,033	\$ 8,993,779	8,351,558	14,288,000	13,664,000	\$ -	\$ -	\$ -	\$ -	-
Contributions as a percentage of covered-employee payroll	15.41%	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 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 \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.039%	0.038%	0.037%	0.036%	0.037%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$ 10,322,104	\$ 8,941,735	\$ 7,255,909	\$ 5,320,000	\$ 4,168,000	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,207,102	\$ 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	166.30%	99.42%	150.83%	120.14%	104.33%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	70.85%	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 the information only 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 \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,055,493	\$ 799,568	\$ 668,111	\$ 524,611	\$ 470,294	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(1,055,493)	(799,568)	(668,111)	(524,611)	(470,294)	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,207,102	\$ 5,148,207	\$ 4,810,707	\$ 4,428,000	\$ 3,995,000	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	17.00%	15.53%	13.89%	11.85%	11.77%	-	-	-	-	-

\* 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 for those years for which information is available.

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

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability:										
Service cost	\$ 777,765	\$ 756,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	981,020	947,524	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions or other inputs	-	-	-	-	-	-	-	-	-	-
Benefit payments	(1,770,642)	(867,072)	-	-	-	-	-	-	-	-
Net change in total OPEB liability	(11,857)	837,401	-	-	-	-	-	-	-	-
Total OPEB liability - beginning	24,525,491	23,688,090	-	-	-	-	-	-	-	-
Total OPEB liability - ending	\$ 24,513,634	\$ 24,525,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 22,504,135	\$ 21,490,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	108.93%	114.12%	-	-	-	-	-	-	-	-

Notes to Schedule:

There were no changes of benefit terms in 2019.

There were no changes of assumptions in 2019. The following are the discount rates used in each period.

2019	4.00%
2018	4.00%
2017	NA
2016	NA
2015	NA
2014	NA
2013	NA
2012	NA
2011	NA
2010	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, 2019

	General Fund	Deferred Maintenance Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 5,255,248	\$ 1,131
Cash on Hand and in Banks	12,803	-
Cash in Revolving Fund	5,000	-
Investments	-	-
Accounts Receivable	2,218,939	7
Due from Grantor Governments	(2)	-
Due from Other Funds	598,068	-
Total Assets	<u>8,090,056</u>	<u>1,138</u>
 <b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 1,662,308	\$ -
Due to Other Funds	5,553,857	-
Unearned Revenue	526,954	-
Total Liabilities	<u>7,743,119</u>	<u>-</u>
 Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	5,000	-
Restricted Fund Balances	127,697	-
Assigned Fund Balances	209,369	1,138
Unassigned:		
Reserve for Economic Uncertainty	683,322	-
Other Unassigned	(678,451)	-
Total Fund Balance	<u>346,937</u>	<u>1,138</u>
 Total Liabilities and Fund Balances	<u>\$ 8,090,056</u>	<u>\$ 1,138</u>

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2019
\$ 252,042	\$ 383,596	\$ 5,892,017
-	-	12,803
-	-	5,000
643,747	245,239	888,986
1,649	2,511	2,223,106
-	-	(2)
1,539,000	3,709,324	5,846,392
<u>2,436,438</u>	<u>4,340,670</u>	<u>14,868,302</u>
\$ -	\$ -	\$ 1,662,308
-	-	5,553,857
-	-	526,954
<u>-</u>	<u>-</u>	<u>7,743,119</u>
-	-	5,000
-	-	127,697
-	4,340,670	4,551,177
2,436,438	-	3,119,760
-	-	(678,451)
<u>2,436,438</u>	<u>4,340,670</u>	<u>7,125,183</u>
<u>\$ 2,436,438</u>	<u>\$ 4,340,670</u>	<u>\$ 14,868,302</u>

# ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - ALL GENERAL FUNDS  
 YEAR ENDED JUNE 30, 2019

	General Fund	Deferred Maintenance Fund
	<u>          </u>	<u>          </u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 26,544,182	\$ -
Education Protection Account Funds	4,670,536	-
Local Sources	2,342,466	-
Federal Revenue	3,826,957	-
Other State Revenue	4,763,114	-
Other Local Revenue	2,002,615	21
Total Revenues	<u>44,149,870</u>	<u>21</u>
Expenditures:		
Current:		
Instruction	24,819,342	-
Instruction - Related Services	5,684,424	-
Pupil Services	3,239,131	-
Ancillary Services	53,746	-
Community Services	494,449	-
General Administration	2,240,441	-
Plant Services	4,374,223	-
Other Outgo	1,571,398	-
Capital Outlay	727,604	-
Debt Service:		
Principal	563,231	-
Interest	48,912	-
Total Expenditures	<u>43,816,901</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>332,969</u>	<u>21</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(500,000)	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>-</u>
Net Change in Fund Balance	(167,031)	21
Fund Balance, July 1	513,968	1,117
Fund Balance, June 30	<u>\$ 346,937</u>	<u>\$ 1,138</u>

**EXHIBIT C-2**

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2019
\$ -	\$ -	\$ 26,544,182
-	-	4,670,536
-	-	2,342,466
-	-	3,826,957
-	-	4,763,114
6,500	8,427	2,017,563
<u>6,500</u>	<u>8,427</u>	<u>44,164,818</u>
-	-	24,819,342
-	-	5,684,424
-	-	3,239,131
-	-	53,746
-	-	494,449
-	-	2,240,441
-	-	4,374,223
-	-	1,571,398
-	-	727,604
-	-	563,231
-	-	48,912
<u>-</u>	<u>-</u>	<u>43,816,901</u>
6,500	8,427	347,917
-	500,000	500,000
<u>-</u>	<u>-</u>	<u>(500,000)</u>
<u>-</u>	<u>500,000</u>	<u>-</u>
6,500	508,427	347,917
2,429,938	3,832,243	6,777,266
<u>\$ 2,436,438</u>	<u>\$ 4,340,670</u>	<u>\$ 7,125,183</u>

**ARVIN UNION SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund <u>Bond Interest &amp; Redemption</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 678,729	\$ 979,066	\$ 391,553	\$ 2,049,348
Cash on Hand and in Banks	43,357	-	139,246	182,603
Cash in Revolving Fund	1,000	-	-	1,000
Investments	-	-	643,746	643,746
Accounts Receivable	440,603	-	2,178	442,781
Due from Other Funds	112,113	-	74,854	186,967
Stores Inventories	23,650	-	-	23,650
Prepaid Expenditures	117,995	-	-	117,995
Total Assets	<u>1,417,447</u>	<u>979,066</u>	<u>1,251,577</u>	<u>3,648,090</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 114,261	\$ -	\$ 16,619	\$ 130,880
Due to Other Funds	743,068	-	-	743,068
Unearned Revenue	1,142	-	-	1,142
Total Liabilities	<u>858,471</u>	<u>-</u>	<u>16,619</u>	<u>875,090</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	393,361	979,066	591,038	1,963,465
Assigned Fund Balances	22,970	-	643,920	666,890
Total Fund Balance	<u>558,976</u>	<u>979,066</u>	<u>1,234,958</u>	<u>2,773,000</u>
Total Liabilities and Fund Balances	<u>\$ 1,417,447</u>	<u>\$ 979,066</u>	<u>\$ 1,251,577</u>	<u>\$ 3,648,090</u>

**ARVIN UNION SCHOOL DISTRICT**

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

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,642,727	\$ -	\$ -	\$ 2,642,727
Other State Revenue	665,616	-	-	665,616
Other Local Revenue	184,759	970,241	776,798	1,931,798
Total Revenues	<u>3,493,102</u>	<u>970,241</u>	<u>776,798</u>	<u>5,240,141</u>
Expenditures:				
Current:				
Instruction	498,115	-	-	498,115
Instruction - Related Services	56,402	-	-	56,402
Pupil Services	2,865,185	-	-	2,865,185
Plant Services	1,157	-	75,366	76,523
Capital Outlay	4,727	-	1,850,712	1,855,439
Debt Service:				
Principal	-	635,000	-	635,000
Interest	-	420,237	-	420,237
Total Expenditures	<u>3,425,586</u>	<u>1,055,237</u>	<u>1,926,078</u>	<u>6,406,901</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>67,516</u>	<u>(84,996)</u>	<u>(1,149,280)</u>	<u>(1,166,760)</u>
Other Financing Sources (Uses):				
Other Sources	-	163,504	-	163,504
Total Other Financing Sources (Uses)	<u>-</u>	<u>163,504</u>	<u>-</u>	<u>163,504</u>
Net Change in Fund Balance	67,516	78,508	(1,149,280)	(1,003,256)
Fund Balance, July 1	491,460	900,558	2,384,238	3,776,256
Fund Balance, June 30	<u>\$ 558,976</u>	<u>\$ 979,066</u>	<u>\$ 1,234,958</u>	<u>\$ 2,773,000</u>

**ARVIN UNION SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 163,611	\$ 515,118	\$ 678,729
Cash on Hand and in Banks	43,357	-	43,357
Cash in Revolving Fund	-	1,000	1,000
Accounts Receivable	61,421	379,182	440,603
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>343,121</u>	<u>1,074,326</u>	<u>1,417,447</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 18,418	\$ 95,843	\$ 114,261
Due to Other Funds	235,481	507,587	743,068
Unearned Revenue	1,142	-	1,142
Total Liabilities	<u>255,041</u>	<u>603,430</u>	<u>858,471</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	65,110	328,251	393,361
Assigned Fund Balances	22,970	-	22,970
Total Fund Balance	<u>88,080</u>	<u>470,896</u>	<u>558,976</u>
Total Liabilities and Fund Balances	<u>\$ 343,121</u>	<u>\$ 1,074,326</u>	<u>\$ 1,417,447</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, 2019

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-4)
Revenues:			
Federal Revenue	\$ -	\$ 2,642,727	\$ 2,642,727
Other State Revenue	434,714	230,902	665,616
Other Local Revenue	162,427	22,332	184,759
Total Revenues	<u>597,141</u>	<u>2,895,961</u>	<u>3,493,102</u>
Expenditures:			
Current:			
Instruction	498,115	-	498,115
Instruction - Related Services	56,402	-	56,402
Pupil Services	-	2,865,185	2,865,185
Plant Services	-	1,157	1,157
Capital Outlay	-	4,727	4,727
Total Expenditures	<u>554,517</u>	<u>2,871,069</u>	<u>3,425,586</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,624</u>	<u>24,892</u>	<u>67,516</u>
Net Change in Fund Balance	42,624	24,892	67,516
Fund Balance, July 1	45,456	446,004	491,460
Fund Balance, June 30	<u>\$ 88,080</u>	<u>\$ 470,896</u>	<u>\$ 558,976</u>

**ARVIN UNION SCHOOL DISTRICT**

**EXHIBIT C-7**

CHILD DEVELOPMENT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other State Revenue	\$ 448,209	\$ 434,714	\$ (13,495)
Other Local Revenue	-	162,427	162,427
Total Revenues	<u>448,209</u>	<u>597,141</u>	<u>148,932</u>
Expenditures:			
Current:			
Certificated Salaries	177,812	189,971	(12,159)
Classified Salaries	143,712	172,651	(28,939)
Employee Benefits	118,670	162,631	(43,961)
Books And Supplies	8,015	22,860	(14,845)
Services And Other Operating Expenditures	-	6,404	(6,404)
Total Expenditures	<u>448,209</u>	<u>554,517</u>	<u>(106,308)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>42,624</u>	<u>42,624</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	42,624	42,624
Fund Balance, July 1	45,456	45,456	-
Fund Balance, June 30	<u>\$ 45,456</u>	<u>\$ 88,080</u>	<u>\$ 42,624</u>

**ARVIN UNION SCHOOL DISTRICT**

**EXHIBIT C-8**

CAFETERIA FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Federal Revenue	\$ 2,130,000	\$ 2,642,727	\$ 512,727
Other State Revenue	350,000	230,902	(119,098)
Other Local Revenue	17,000	22,332	5,332
Total Revenues	<u>2,497,000</u>	<u>2,895,961</u>	<u>398,961</u>
Expenditures:			
Current:			
Classified Salaries	684,196	751,061	(66,865)
Employee Benefits	298,733	535,606	(236,873)
Books And Supplies	1,312,567	1,514,594	(202,027)
Services And Other Operating Expenditures	30,000	65,081	(35,081)
Direct Support/Indirect Costs	10,078	-	10,078
Capital Outlay	-	4,727	(4,727)
Total Expenditures	<u>2,335,574</u>	<u>2,871,069</u>	<u>(535,495)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>161,426</u>	<u>24,892</u>	<u>(136,534)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	161,426	24,892	(136,534)
Fund Balance, July 1	446,004	446,004	-
Fund Balance, June 30	<u>\$ 607,430</u>	<u>\$ 470,896</u>	<u>\$ (136,534)</u>

**ARVIN UNION SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 391,375	\$ 5	\$ 173	\$ 391,553
Cash on Hand and in Banks	139,246	-	-	139,246
Investments	-	-	643,746	643,746
Accounts Receivable	2,177	-	1	2,178
Due from Other Funds	74,854	-	-	74,854
Total Assets	<u>607,652</u>	<u>5</u>	<u>643,920</u>	<u>1,251,577</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 16,619	\$ -	\$ -	\$ 16,619
Total Liabilities	<u>16,619</u>	<u>-</u>	<u>-</u>	<u>16,619</u>
Fund Balance:				
Restricted Fund Balances	591,033	5	-	591,038
Assigned Fund Balances	-	-	643,920	643,920
Total Fund Balance	<u>591,033</u>	<u>5</u>	<u>643,920</u>	<u>1,234,958</u>
Total Liabilities and Fund Balances	<u>\$ 607,652</u>	<u>\$ 5</u>	<u>\$ 643,920</u>	<u>\$ 1,251,577</u>

**ARVIN UNION SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-4)
Revenues:				
Other Local Revenue	\$ 776,795	\$ -	\$ 3	\$ 776,798
Total Revenues	<u>776,795</u>	<u>-</u>	<u>3</u>	<u>776,798</u>
Expenditures:				
Current:				
Plant Services	75,366	-	-	75,366
Capital Outlay	1,850,712	-	-	1,850,712
Total Expenditures	<u>1,926,078</u>	<u>-</u>	<u>-</u>	<u>1,926,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,149,283)</u>	<u>-</u>	<u>3</u>	<u>(1,149,280)</u>
Net Change in Fund Balance	(1,149,283)	-	3	(1,149,280)
Fund Balance, July 1	1,740,316	5	643,917	2,384,238
Fund Balance, June 30	<u>\$ 591,033</u>	<u>\$ 5</u>	<u>\$ 643,920</u>	<u>\$ 1,234,958</u>

**ARVIN UNION SCHOOL DISTRICT****EXHIBIT C-11**

BUILDING FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other Local Revenue	\$ -	\$ 14,781	\$ 14,781
Total Revenues	<u>-</u>	<u>14,781</u>	<u>14,781</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	-	67,883	(67,883)
Capital Outlay	-	1,254,835	(1,254,835)
Total Expenditures	<u>-</u>	<u>1,322,718</u>	<u>(1,322,718)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,307,937)</u>	<u>(1,307,937)</u>
Other Financing Sources (Uses):			
Other Sources	<u>2,830,293</u>	<u>3,234,225</u>	<u>403,932</u>
Total Other Financing Sources (Uses)	<u>2,830,293</u>	<u>3,234,225</u>	<u>403,932</u>
Net Change in Fund Balance	2,830,293	1,926,288	(904,005)
Fund Balance, July 1	309,315	309,315	-
Fund Balance, June 30	<u>\$ 3,139,608</u>	<u>\$ 2,235,603</u>	<u>\$ (904,005)</u>

**ARVIN UNION SCHOOL DISTRICT**

**EXHIBIT C-12**

CAPITAL FACILITIES FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other Local Revenue	\$ 705,000	\$ 776,795	\$ 71,795
Total Revenues	<u>705,000</u>	<u>776,795</u>	<u>71,795</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	108,000	75,366	32,634
Capital Outlay	400,000	1,850,712	(1,450,712)
Total Expenditures	<u>508,000</u>	<u>1,926,078</u>	<u>(1,418,078)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>197,000</u>	<u>(1,149,283)</u>	<u>(1,346,283)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	197,000	(1,149,283)	(1,346,283)
Fund Balance, July 1	1,740,316	1,740,316	-
Fund Balance, June 30	<u>\$ 1,937,316</u>	<u>\$ 591,033</u>	<u>\$ (1,346,283)</u>

**ARVIN UNION SCHOOL DISTRICT****EXHIBIT C-13**

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	<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	643,917	643,917	-
Fund Balance, June 30	<u>\$ 636,917</u>	<u>\$ 643,920</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, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>STUDENT BODY ACTIVITIES</b>				
<b>ASSETS</b>				
Cash and investments	\$ 31,932	\$ 76,222	\$ 66,871	\$ 41,283
Total Assets	<u>\$ 31,932</u>	<u>\$ 76,222</u>	<u>\$ 66,871</u>	<u>\$ 41,283</u>
<b>LIABILITIES</b>				
Due to student groups	\$ 31,932	\$ 76,222	\$ 66,871	\$ 41,283
Total Liabilities	<u>\$ 31,932</u>	<u>\$ 76,222</u>	<u>\$ 66,871</u>	<u>\$ 41,283</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, 2019

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, 2019. The District is currently operating one state preschool, three elementary schools, and one intermediate school.

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## Governing Board

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Toni Pichardo	President	2022
Monica Franetovich	Vice-President	2020
Albert De Leon	Clerk	2022
Ruth Harris	Member	2020
Geri Rivera	Member	2022

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## Administration

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Georgia Rhett  
Superintendent

Emma Pereida-Martinez  
Assistant Superintendent

Chris Davis  
Chief Business Official

**ARVIN UNION SCHOOL DISTRICT**  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 YEAR ENDED JUNE 30, 2019

**TABLE D-1**

	Second Period Report	Annual Report
TK/K-3:		
Regular ADA	1,358.37	1,360.51
Extended Year Special Education	1.18	1.18
TK/K-3 Totals	<u>1,359.55</u>	<u>1,361.69</u>
Grades 4-6:		
Regular ADA	978.31	980.57
Extended Year Special Education	1.10	1.10
Grades 4-6 Totals	<u>979.41</u>	<u>981.67</u>
Grades 7 and 8:		
Regular ADA	639.47	640.41
Extended Year Special Education	0.22	0.22
Grades 7 and 8 Totals	<u>639.69</u>	<u>640.63</u>
ADA Totals	<u><u>2,978.65</u></u>	<u><u>2,983.99</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 DISTRICT**SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2019**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2018-19 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	56,554	180	N/A	Complied
Kindergarten	36,000	N/A	56,554	180	N/A	Complied
Grade 1	50,400	N/A	54,979	180	N/A	Complied
Grade 2	50,400	N/A	54,979	180	N/A	Complied
Grade 3	50,400	N/A	54,979	180	N/A	Complied
Grade 4	54,000	N/A	54,979	180	N/A	Complied
Grade 5	54,000	N/A	54,979	180	N/A	Complied
Grade 6	54,000	N/A	54,979	180	N/A	Complied
Grade 7	54,000	N/A	58,314	180	N/A	Complied
Grade 8	54,000	N/A	58,314	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, 2019

**TABLE D-3**

General Fund	Budget 2020 (see note 1)	2019	2018	2017
Revenues and other financial sources	\$ 42,676,359	\$ 44,664,818	\$ 39,635,708	\$ 38,591,596
Expenditures	41,320,691	43,816,901	40,142,353	39,661,882
Other uses and transfers out	500,000	500,000	-	-
Total outgo	41,820,691	44,316,901	40,142,353	39,661,882
Change in fund balance (deficit)	855,668	347,917	(506,645)	(1,070,286)
Ending fund balance	\$ 7,980,852	\$ 7,125,184	\$ 6,777,267	\$ 7,283,912
Available reserves (see note 2)	\$ 3,935,767	\$ 2,434,809	\$ 2,945,745	\$ 2,955,124
Available reserves as a percentage of total outgo	9.4%	5.5%	7.3%	7.5%
Total long-term debt	\$ 82,527,983	\$ 83,384,346	\$ 59,856,402	\$ 51,909,450
Average daily attendance at P-2	2,979	2,976	2,946	2,918

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 \$158,728 (2.2%) over the past two years. The fiscal year 2019-2020 budget projects an increase of \$855,668 (12.0%). 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 any operating deficits in two of the past three years, but projects an increase during the 2019-2020 fiscal year. Total long-term debt has increased by \$31,474,896 over the past two years.

Average daily attendance has increased by 58 over the past two years. During fiscal year 2019-2020, an increase of 3 average daily attendance is anticipated.

**NOTES:**

- 1 The budget for 2020 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, 2019

**TABLE D-4**

	General Fund	Child Development Fund
	<u>                    </u>	<u>                    </u>
June 30, 2019, annual financial and budget report fund balances	\$ 1,025,388	\$ 44,724
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Record activity in local bank account	12,803	43,356
Prior year accounts payable	<u>(691,254)</u>	<u>-</u>
Net adjustments and reclassifications	<u>(678,451)</u>	<u>43,356</u>
June 30, 2019, audited financial statement fund balances	<u>\$ 346,937</u>	<u>\$ 88,080</u>
	Special Reserve Other Than Capital Outlay Fund	Special Reserve Postemployment Benefits Fund
	<u>                    </u>	<u>                    </u>
June 30, 2019, annual financial and budget report fund balances	\$ 2,480,245	\$ 4,384,477
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	<u>(43,807)</u>	<u>(43,807)</u>
Net adjustments and reclassifications	<u>(43,807)</u>	<u>(43,807)</u>
June 30, 2019, audited financial statement fund balances	<u>\$ 2,436,438</u>	<u>\$ 4,340,670</u>
	Capital Facilities Fund	Special Reserve Capital Outlay Projects Fund
	<u>                    </u>	<u>                    </u>
June 30, 2019, annual financial and budget report fund balances	\$ 517,542	\$ 600,114
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Record activity in local bank account	73,491	-
Investments	<u>-</u>	<u>43,806</u>
Net adjustments and reclassifications	<u>73,491</u>	<u>43,806</u>
June 30, 2019, audited financial statement fund balances	<u>\$ 591,033</u>	<u>\$ 643,920</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 group 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, 2019

**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, 2019

**TABLE D-6**  
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through California Department of Education (CDE):				
School Breakfast Program-Basic	10.553	13525	\$ -	\$ 718,222
National School Lunch Program	10.555	13523,13524	-	1,468,779
Total Passed Through California Department of Education (CDE)			-	2,187,001
Total U. S. Department of Agriculture			-	2,187,001
Total Child Nutrition Cluster			-	2,187,001
<b>MEDICAID CLUSTER:</b>				
<u>U. S. Department of Health and Human Services</u>				
Passed Through County Office of Education:				
Medical Assistance Program (Billing Option)	93.778	10013	-	59,287
Total U. S. Department of Health and Human Services			-	59,287
Total Medicaid Cluster			-	59,287
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education (CDE):				
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	13379	-	537,998
Special Ed: IDEA Preschool Local Entitlement	84.027	13682	-	8,000
Special Education - Preschool Grants	84.173	13430	-	11,249
Total Passed Through California Department of Education (CDE)			-	557,247
Total U. S. Department of Education			-	557,247
Total Special Education (IDEA) Cluster			-	557,247
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Direct Program:				
21st Century Community Learning Centers	84.287	14349	-	56,500
Passed Through California Department of Education (CDE):				
Title I Grants to Local Educational Agencies	84.010	14329	-	1,999,875
Migrant Education - State Grant Program - Regular	84.011	14326	-	728,973
Even Start - Migrant Education (MEES)	84.214	10030	-	110,238
English Language Acquisition Grants	84.365	10084	-	183,804
Improving Teacher Quality State Grants	84.367	14341	-	114,786
ESSA: Title IV, Part A, Student Support and Academic Enrichment G	84.424	15391	-	16,247
Total Passed Through California Department of Education (CDE)			-	3,153,923
Total U. S. Department of Education			\$ -	\$ 3,210,423

**ARVIN UNION SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Agriculture</u>				
Passed Through California Department of Education (CDE):				
Child and Adult Care Food Program	10.558	13393	\$ -	\$ 340,111
Fresh Fruit and Vegetable Program	10.582	14968	-	115,615
Total Passed Through California Department of Education (CDE)			-	455,726
Total U. S. Department of Agriculture			-	455,726
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 6,469,684</b>

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, 2019

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.

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## Other Independent Auditor's Reports

**Linger, Peterson & Shrum**  
Certified Public Accountants  
575 E. Locust Ave., Suite 308  
Fresno, California 93720-2928

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, 2019, 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 13, 2019.

**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) 2019-001, 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 13, 2019

**Linger, Peterson & Shrum**  
Certified Public Accountants  
575 E. Locust Ave., Suite 308  
Fresno, California 93720-2928

Independent Auditor's Report on Compliance for Each Major Federal Program and Report 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 Arvin Union School District's major federal program for the year ended June 30, 2019. Arvin Union School District's major federal program is 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 its major federal program for the year ended June 30, 2019.

## 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  
Fresno, California  
December 13, 2019

**Linger, Peterson & Shrum**  
Certified Public Accountants  
575 East Locust Ave., 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 *2018-19 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, 2019.

**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, *2018-19 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, *2018-19 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:

**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
Comprehensive School Safety Plan .....	Yes
District of Choice .....	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF  
EDUCATION, AND CHARTER SCHOOLS:**

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 requirements regarding the following:

<u>Finding No.</u>	<u>Compliance Requirement</u>
2019-002	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 Modified Opinion on State Compliance paragraph, the Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements identified in the Auditor's Responsibility section above for the year ended June 30, 2019.

### **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, 2019.

### **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 *2018-19 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 13, 2019

## Findings and Recommendations Section

**ARVIN UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. 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      None Reported

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

Version of compliance supplement used in audit: 8/1/2019

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>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes      No

**ARVIN UNION SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

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

**B. Financial Statement Findings**

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."

**2019-001 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.

**ARVIN UNION SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

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, 2018. (2018-001)

Recommendation

While we realize that budgetary considerations may preclude the hiring of additional employees, we still must advise the Administration of this situation and recommend that duties be segregated as much as possible in order to enhance internal controls.

Views of Responsible Officials and Planned Corrective Actions

The Administration has segregated duties as much as possible with existing personnel, and believes that it is impractical and not cost effective to increase the number of employees. Management is aware of the potential risk of not having the proper segregation of duties, and has incorporated controls to reduce the risk.

**2019-002    Miscellaneous [60000]**

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

Employers that participate in defined other post-employment benefit (OPEB) plans, are required to measure and disclose an amount for OPEB liability and cost. OPEB expenditures should be recognized on a modified accrual basis in governmental fund financial statements. For financial reporting purposes, an actuarial valuation is required with a valuation date no earlier than 30 months prior to the reporting date, and a measurement date no earlier than 12 months prior to the reporting date.

Condition

The District's management did not obtain an actuarial report per GASB 75 requirements.

Questioned Costs

There were no questioned costs related to this finding.

Effect

Without the required actuarial valuation, the appropriate amounts cannot be measured and disclosed for the annual OPEB liability and cost.

Cause

The District's management contracted with an actuarial firm, and supplied the required information, however, the actuarial report was not completed and available before December 15, 2019, when this audit report was due.

**ARVIN UNION SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

We recommend the District's management continue to correspond with the actuarial firm and have them supply the completed actuarial as contracted.

District's Response

The Administration understands the GASB 75 requirements for an actuarial valuation and supplied the required information to the actuary.

**C. 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.

**D. State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with State program rules and regulations.

**2019-003 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 57%.

**ARVIN UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Questioned Costs

The questioned cost is the deficiency amount of \$1,031,844.13.

Perspective

Minimum percentage required	60%
Percentage spent by this District	57%
Percentage below the minimum	3%

District's current expense of education after reductions	\$ 34,394,804.29
--	------------------

Deficiency amount	\$ 1,031,844.13
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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 \$1,031,844.13. The District may be required to add the deficient amount of \$1,031,844.13 to the amounts to be expended for salaries of classroom teachers during 2019-2020. This finding is a repeat finding for this program and has been reported previously for June 30, 2018. (Finding 2018-002)

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 should 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, 2019**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2018-001 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, 2018. (Finding 2018-001)</p>	Not Implemented	<p>There are not enough District employees involved in these funds to adequately separate the duties.</p>
<p>2018-002 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 57%.</p>	Not Implemented	<p>See current year finding. The District management believes that this formula should be updated to more appropriately reflect the adjustments and changes to LCAP.</p>

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## 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 \$2,990,000 aggregate principal amount of General Obligation Bonds Election of 2018, Series 2020B (Bank Qualified) (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on June 16, 2020 (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](http://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 June 30, 2020.

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, 2020, 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: July 14, 2020

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: \$2,990,000 General Obligation Bonds Election of 2018, Series 2020B (Bank  
Qualified)

Date of Issuance: July 14, 2020

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 July 14, 2020. 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](http://www.dtcc.com). Such information is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as

periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

MUNICIPAL ASSURANCE CORP. ("MAC"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of MAC, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which MAC shall have received Notice of Nonpayment, MAC will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by MAC, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in MAC. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, MAC shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless MAC shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to MAC which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

MAC may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to MAC to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of MAC, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Ltd.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/13) (MAC)