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
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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,



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

Management's Discussion and Analysis

GEORGIA RHETT
District Superintendent

EMMA PEREIDA-MARTINEZ
Assistant Superintendent

ARVIN UNION
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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.

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
Assets		
Current and other assets	$ 14,690,403	$ 12,757,842
Capital assets, net	42,127,197	39,865,414
Total Assets	$ 56,817,601	$ 52,623,256
Deferred Outflows of Resources	$ 10,172,235	$ 10,653,927
Liabilities		
Current liabilities	$ 2,609,678	$ 1,951,335
Long-term liabilities	83,384,346	79,771,844
Total Liabilities	$ 85,994,024	$ 81,723,179
Deferred Inflows of Resources	$ 4,487,642	$ 4,263,710
Net Position		
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	$ (23,491,830)	$ (22,709,706)

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
Revenues:		
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	$ 53,066,684	$ 47,098,275
Program expenses:		
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	$ 53,848,808	$ 47,511,070
Changes in Net Position	$ (782,124)	$ (412,795)

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
	$ 53,848,808	$ 41,189,722	$ 47,511,070	$ 36,526,180

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	$ 42,127,197	$ 39,865,414

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	$ 83,384,346	$ 79,771,844

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
ASSETS:	
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	56,817,601
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	10,172,235
Total Deferred Outflows of Resources	10,172,235
LIABILITIES:	
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	85,994,024
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	4,487,642
Total Deferred Inflows of Resources	4,487,642
NET POSITION:	
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	$ (23,491,830)

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: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:				
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	53,848,808	262,905	12,396,181	(41,189,722)
Total Primary Government	$ 53,848,808	$ 262,905	$ 12,396,181	(41,189,722)
	General Revenues:			
	LCFF Sources			33,557,184
	Federal Revenues			59,287
	State Revenues			4,634,502
	Local Revenues			2,156,625
	Total General Revenues			40,407,598
	Change in Net Position			(782,124)
	Net Position - Beginning			(22,709,706)
	Net Position - Ending			$ (23,491,830)

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
ASSETS:				
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
Total Assets	14,868,302	2,457,216	3,648,090	20,973,608
LIABILITIES AND FUND BALANCE:				
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
Total Liabilities	7,743,119	221,613	875,090	8,839,822
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)
Total Fund Balance	7,125,183	2,235,603	2,773,000	12,133,786
Total Liabilities and Fund Balances	$ 14,868,302	$ 2,457,216	$ 3,648,090	$ 20,973,608

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	$	(23,491,830)

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	44,164,818	14,781	5,240,141	49,419,740
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	43,816,901	1,322,718	6,406,901	51,546,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,917	(1,307,937)	(1,166,760)	(2,126,780)
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)	-	3,234,225	163,504	3,397,729
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	$ 7,125,183	$ 2,235,603	$ 2,773,000	$ 12,133,786

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:		(1,543,915)
Change in Net Position of Governmental Activities - Statement of Activities	$	(782,124)

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
ASSETS:	
Cash on Hand and in Banks	$ 41,283
Total Assets	41,283
LIABILITIES:	
Due to Student Groups	$ 41,283
Total Liabilities	41,283
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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.

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.

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:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation AC systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25

Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, 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.

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

6. Deferred Inflows and Deferred Outflows of Resources

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

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.

B. Excess of Expenditures Over Appropriations

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

Appropriations Category	Excess Expenditures
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.

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.

Investments or Investment Type	Maturity	Fair Value
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		$ 11,856,029

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.

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	$ 2,223,104	$ 455,904	$ 2,679,008

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,462,548	$ -	$ -	$ 1,462,548
Work in progress	10,582,419	3,232,696	11,744,894	2,070,221
Total capital assets not being depreciated	12,044,967	3,232,696	11,744,894	3,532,769
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	44,220,117	12,469,783	-	56,689,900
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	(16,399,670)	(1,695,802)	-	(18,095,472)
Total capital assets being depreciated, net	27,820,447	10,773,981	-	38,594,428
Governmental activities capital assets, net	$ 39,865,414	$ 14,006,677	$ 11,744,894	$ 42,127,197

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
	$ 1,695,802

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	$ 1,048,602	$ 1,048,602

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

G. Accounts Payable

Accounts payable at June 30, 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
Total	$ 1,662,308	$ 352,493	$ 2,014,801

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
Total:	$ 526,954	$ 1,142	$ 528,096

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	-	-
Total governmental activities	$ 79,771,844	$ 4,949,122	1,336,620	83,384,346	849,231

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 Outstanding July 1, 2018	Issued During Year	Redeemed During Year	Bonds 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
	$ 23,979,223	$ 14,194,223	$ 3,385,000	$ 635,000	$ 16,944,223

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

	General Obligation Bonds		
Year Ending June 30,	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	$ 16,944,223	$ 30,487,694	$ 47,431,917

Year Ending June 30,	Accreted Interest
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	$ 4,017,496

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:

Year Ending June 30:	Principal	Interest	Lease Payment
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	$ 1,595,030	$ 151,665	$ 1,746,695

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.

Year Ending June 30,	Principal	Interest	Total
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	$ 550,371	$ 124,296	$ 674,667

J. Compensated Absences

Compensated absences at June 30, 2019 consisted of:

	Compensated Absences	Benefits	Totals
Classified	$ 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:

Year Ending June 30,	
2020	$ 4,380
2021	4,380
2022	4,380
2023	2,920
Total Minimum Rentals	$ 16,060

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.

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

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	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	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 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.

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

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	$ 35,509,209

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			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
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	$ 6,065,745	$ 1,692,375	$ 7,758,120

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	$ 6,908,508	$ 3,263,727	$ 10,172,235

	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	$ (2,966,608)	$ (1,521,034)	$ (4,487,642)

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	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
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	$ 6,908,508	$ 3,263,727	$ (2,966,608)	$ (1,521,034)	$ 5,684,593

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:

	CalSTRS	CalPERS
Fiscal Year	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)

(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.

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	$ 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

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	3,432,322	2,103,996	1,328,326
Balance at June 30, 2019	$ 35,406,632	$ 25,084,528	$ 10,322,104

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.

Retiree Information

A total of 4 employees have retired in exchange for the additional two years of service credit.

Position Vacated	Age	Service Credit	Retired Employees Salary	Retired Employees Benefits	Replacement Employees (If Applicable) Salary	Replacement Employees (If Applicable) Benefits
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			$ 401,872	$ 147,359	$ 338,282	$ 135,168

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	$ 394,347

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.

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.

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

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

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:

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

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	170,740
Less amount held by Kern County Auditor-Controller	(196,199)
Net Contingent Liability	$ (25,459)

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

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		979,066
Totals	$	4,326,765

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.

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			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
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	40,718,898	41,303,425	44,164,818	2,861,393
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	39,794,422	41,531,758	43,816,901	(2,285,143)
Excess (Deficiency) of Revenues Over (Under) Expenditures	924,476	(228,333)	347,917	576,250
Other Financing Sources (Uses):				
Transfers In	-	-	500,000	500,000
Transfers Out	-	-	(500,000)	(500,000)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	924,476	(228,333)	347,917	576,250
Fund Balance, July 1	6,777,266	6,777,266	6,777,266	-
Fund Balance, June 30	$ 7,701,742	$ 6,548,933	$ 7,125,183	$ 576,250

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	-	-	-	-	-
Total	$ 39,661,537	$ 40,924,358	$ 35,916,023	$ 30,303,000	$ 29,325,000	$ -	$ -	$ -	$ -	$ -
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)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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
ASSETS:		
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	8,090,056	1,138
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,662,308	$ -
Due to Other Funds	5,553,857	-
Unearned Revenue	526,954	-
Total Liabilities	7,743,119	-
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	346,937	1,138
Total Liabilities and Fund Balances	$ 8,090,056	$ 1,138

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
2,436,438	4,340,670	14,868,302
$ -	$ -	$ 1,662,308
-	-	5,553,857
-	-	526,954
-	-	7,743,119
-	-	5,000
-	-	127,697
-	4,340,670	4,551,177
2,436,438	-	3,119,760
-	-	(678,451)
2,436,438	4,340,670	7,125,183
$ 2,436,438	$ 4,340,670	$ 14,868,302

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
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	44,149,870	21
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	43,816,901	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	332,969	21
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(500,000)	-
Total Other Financing Sources (Uses)	(500,000)	-
Net Change in Fund Balance	(167,031)	21
Fund Balance, July 1	513,968	1,117
Fund Balance, June 30	$ 346,937	$ 1,138

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
6,500	8,427	44,164,818
-	-	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
-	-	43,816,901
6,500	8,427	347,917
-	500,000	500,000
-	-	(500,000)
-	500,000	-
6,500	508,427	347,917
2,429,938	3,832,243	6,777,266
$ 2,436,438	$ 4,340,670	$ 7,125,183

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund: Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 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	1,417,447	979,066	1,251,577	3,648,090
LIABILITIES AND FUND BALANCE:				
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	858,471	-	16,619	875,090
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	558,976	979,066	1,234,958	2,773,000
Total Liabilities and Fund Balances	$ 1,417,447	$ 979,066	$ 1,251,577	$ 3,648,090

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	3,493,102	970,241	776,798	5,240,141
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	3,425,586	1,055,237	1,926,078	6,406,901
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,516	(84,996)	(1,149,280)	(1,166,760)
Other Financing Sources (Uses):				
Other Sources	-	163,504	-	163,504
Total Other Financing Sources (Uses)	-	163,504	-	163,504
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	$ 558,976	$ 979,066	$ 1,234,958	$ 2,773,000

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)
ASSETS:			
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	343,121	1,074,326	1,417,447
LIABILITIES AND FUND BALANCE:			
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	255,041	603,430	858,471
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	88,080	470,896	558,976
Total Liabilities and Fund Balances	$ 343,121	$ 1,074,326	$ 1,417,447

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	597,141	2,895,961	3,493,102
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	554,517	2,871,069	3,425,586
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,624	24,892	67,516
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	$ 88,080	$ 470,896	$ 558,976

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-7

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 448,209	$ 434,714	$ (13,495)
Other Local Revenue	-	162,427	162,427
Total Revenues	448,209	597,141	148,932
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	448,209	554,517	(106,308)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	42,624	42,624
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	42,624	42,624
Fund Balance, July 1	45,456	45,456	-
Fund Balance, June 30	$ 45,456	$ 88,080	$ 42,624

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-8

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

	Budget	Actual	Variance Positive (Negative)
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	2,497,000	2,895,961	398,961
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	2,335,574	2,871,069	(535,495)
Excess (Deficiency) of Revenues Over (Under) Expenditures	161,426	24,892	(136,534)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	161,426	24,892	(136,534)
Fund Balance, July 1	446,004	446,004	-
Fund Balance, June 30	$ 607,430	$ 470,896	$ (136,534)

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)
ASSETS:				
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	607,652	5	643,920	1,251,577
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 16,619	$ -	$ -	$ 16,619
Total Liabilities	16,619	-	-	16,619
Fund Balance:				
Restricted Fund Balances	591,033	5	-	591,038
Assigned Fund Balances	-	-	643,920	643,920
Total Fund Balance	591,033	5	643,920	1,234,958
Total Liabilities and Fund Balances	$ 607,652	$ 5	$ 643,920	$ 1,251,577

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	776,795	-	3	776,798
Expenditures:				
Current:				
Plant Services	75,366	-	-	75,366
Capital Outlay	1,850,712	-	-	1,850,712
Total Expenditures	1,926,078	-	-	1,926,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,149,283)	-	3	(1,149,280)
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	$ 591,033	$ 5	$ 643,920	$ 1,234,958

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-11

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 14,781	$ 14,781
Total Revenues	-	14,781	14,781
Expenditures:			
Current:			
Services And Other Operating Expenditures	-	67,883	(67,883)
Capital Outlay	-	1,254,835	(1,254,835)
Total Expenditures	-	1,322,718	(1,322,718)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,307,937)	(1,307,937)
Other Financing Sources (Uses):			
Other Sources	2,830,293	3,234,225	403,932
Total Other Financing Sources (Uses)	2,830,293	3,234,225	403,932
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	$ 3,139,608	$ 2,235,603	$ (904,005)

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-12

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 705,000	$ 776,795	$ 71,795
Total Revenues	705,000	776,795	71,795
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	508,000	1,926,078	(1,418,078)
Excess (Deficiency) of Revenues Over (Under) Expenditures	197,000	(1,149,283)	(1,346,283)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
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	$ 1,937,316	$ 591,033	$ (1,346,283)

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 3	$ 3
Total Revenues	-	3	3
Expenditures:			
Capital Outlay	7,000	-	7,000
Total Expenditures	7,000	-	7,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,000)	3	7,003
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(7,000)	3	7,003
Fund Balance, July 1	643,917	643,917	-
Fund Balance, June 30	$ 636,917	$ 643,920	$ 7,003

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
STUDENT BODY ACTIVITIES				
ASSETS				
Cash and investments	$ 31,932	$ 76,222	$ 66,871	$ 41,283
Total Assets	$ 31,932	$ 76,222	$ 66,871	$ 41,283
LIABILITIES				
Due to student groups	$ 31,932	$ 76,222	$ 66,871	$ 41,283
Total Liabilities	$ 31,932	$ 76,222	$ 66,871	$ 41,283

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.

Governing Board

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

Administration

Georgia Rhett
Superintendent

Emma Pereida-Martinez
Assistant Superintendent

Chris Davis
Chief Business Official

ARVIN UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2019

	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	1,359.55	1,361.69
Grades 4-6:		
Regular ADA	978.31	980.57
Extended Year Special Education	1.10	1.10
Grades 4-6 Totals	979.41	981.67
Grades 7 and 8:		
Regular ADA	639.47	640.41
Extended Year Special Education	0.22	0.22
Grades 7 and 8 Totals	639.69	640.63
ADA Totals	2,978.65	2,983.99

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

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school**.** The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

ARVIN UNION SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2019

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
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

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

	General Fund	Child Development Fund
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	(691,254)	-
Net adjustments and reclassifications	(678,451)	43,356
June 30, 2019, audited financial statement fund balances	$ 346,937	$ 88,080

	Special Reserve Other Than Capital Outlay Fund	Special Reserve Postemployment Benefits Fund
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	(43,807)	(43,807)
Net adjustments and reclassifications	(43,807)	(43,807)
June 30, 2019, audited financial statement fund balances	$ 2,436,438	$ 4,340,670

	Capital Facilities Fund	Special Reserve Capital Outlay Projects Fund
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	-	43,806
Net adjustments and reclassifications	73,491	43,806
June 30, 2019, audited financial statement fund balances	$ 591,033	$ 643,920

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

TABLE D-5

SCHEDULE OF CHARTER SCHOOLS AND OTHER INFORMATION
YEAR ENDED JUNE 30, 2019

No charter schools are chartered by Arvin Union School District.

Charter Schools	Included In Audit?
None	N/A

Subrecipients
The District did not provide any awards to subrecipients.

De Minimis Cost Rate
The District did not elect to use the 10% de minimis cost rate.

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through California Department of Education (CDE):				
School Breakfast Program-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
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
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
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through California Department of Education (CDE):				
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	13379	-	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
OTHER PROGRAMS:				
U. S. Department of Education				
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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Agriculture				
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
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 6,469,684

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

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

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:

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
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:

Finding No.	Compliance Requirement
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

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:

CFDA Number(s)	Name of Federal Program or Cluster
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

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.

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.

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%.

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

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

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

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