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

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

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Introductory Section

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

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and Schedule of Changes in the District's Total OPEB Liability And Related Ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arvin Union School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Arvin Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arvin Union School District's internal control over financial reporting and compliance.

Respectfully submitted,

Linger, Peterson & Shrum

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

Management's Discussion and Analysis

GEORGIA RHETT
District Superintendent

EMMA PEREIDA-MARTINEZ
Assistant Superintendent

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

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

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

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

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

USING THIS ANNUAL REPORT

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at the fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and the governmental funds is reconciled in the financial statements.

Enterprise Funds

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

Fiduciary Funds

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

THE DISTRICT AS A WHOLE

Net Position

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

Table 1: Net Position

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

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

Table 2: Changes in Net Position – Statement of Activities

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

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

Governmental Activities

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

Table 3: Governmental Activities

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

THE DISTRICT'S FUNDS

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

General Fund Budgeting Highlights

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Debt

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

Table 5: Outstanding Debt, at Year-End

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

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

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	$ 23,906,379	$ 115,091	$ 5,013,592	$ (18,777,696)
Instruction-Related Services	6,194,487	25,766	1,074,452	(5,094,269)
Pupil Services	6,340,616	33,707	3,242,957	(3,063,952)
Ancillary Services	47,786	229	9,129	(38,428)
Community Services	640,251	2,506	99,651	(538,094)
General Administration	2,490,412	10,482	416,861	(2,063,069)
Plant Services	5,939,365	23,068	917,399	(4,998,898)
Other Outgo	958,334	-	-	(958,334)
Interest on Long-Term Obligations	993,440	-	-	(993,440)
Total Governmental Activities	47,511,070	210,849	10,774,041	(36,526,180)
Total Primary Government	$ 47,511,070	$ 210,849	$ 10,774,041	(36,526,180)
	General Revenues:			
	LCFF Sources			30,609,814
	Federal Revenues			37,996
	State Revenues			2,739,313
	Local Revenues			2,726,262
	Total General Revenues			36,113,385
	Change in Net Position			(412,795)
	Net Position - Beginning			(8,128,748)
	Prior Period Adjustment			(14,168,163)
	Net Position - Ending			$ (22,709,706)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

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

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

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

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

The District reports the following nonmajor funds:

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

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

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

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

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

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

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

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

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

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation AC systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, 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 compressor	10
Grounds equipment	Mowers, tractors, attachments	15

d. Receivable and Payable Balances

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

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

e. Compensated Absences

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

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

f. Unearned Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

6. Deferred Inflows and Deferred Outflows of Resources

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

7. GASB 54 Fund Presentation

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

8. Pensions

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

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

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

9. Use of Estimates

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

10. Fair Value Measurements

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

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

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

11. Change in Accounting Policies

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

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

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

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

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

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

B. Excess of Expenditures Over Appropriations

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

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

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

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

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

Building Fund: There were unexpected operating costs.

C. Cash and Investments

1. Cash in County Treasury:

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

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

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

3. Investments:

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

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

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

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

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

D. Accounts Receivable

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

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

E. Capital Assets

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

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

Depreciation was charged to functions as follows:

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

F. Interfund Balances and Activities

1. Due To and From Other Funds

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

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

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

G. Accounts Payable

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

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

H. Long-Term Obligations

1. Long-Term Obligation Activity

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

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

*Restated for GASB 75

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

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

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

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

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

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

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

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

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

3. Capital Leases

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

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

Rental Expenditures in 2018	$ 352,326

4. Contract Payable

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

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

5. Early Retirement Incentive

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

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

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

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

I. Commitments Under Noncapitalized Leases

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

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

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

J. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

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

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

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

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

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

c. Contributions

CalSTRS

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

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability**.** The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.888% of annual payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

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

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

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

d. Contributions Recognized

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

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

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

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

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

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

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

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

a. Pension Expense

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

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

b. Deferred Outflows and Inflows of Resources

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

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

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

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

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

c. Actuarial Assumptions

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

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

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

d. Discount Rate

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS

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

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

CalPERS

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

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

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

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

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

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

CalSTRS

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

CalPERS

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

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

K. Early Retirement Incentive Program

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

Retiree Information

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

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

Additional Costs

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

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

Yearly Payroll Savings

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

Financial Impact

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

L. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

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

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

Eligibility for District-Paid Benefits

Certificated (Arvin Teachers Association) and Cerfificated Management

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

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

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

Classified (CSEA) and Confidential

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

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

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

Duration of District-Paid Benefits

Certificated (Arvin Teachers Association) and Certificated Management

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

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

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

Classified (CSEA) and Confidential

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

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

Employees Covered by Benefit Terms

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

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

2. Total OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

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

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

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

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

Changes in Total OPEB Liability

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

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

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

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

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

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (4.00% per year) or 1-percentage-point higher (6.00% per year) than the current healthcare cost trend rates:

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

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

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

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

M. Compensated Absences

Compensated absences at June 30, 2018 consisted of:

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

All amounts are due after one year.

N. Commitments and Contingencies

1. Pending Assessment for Disputed Tax Revenues

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

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

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

2. State and Federal Allowances, Awards, and Grants

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

O. Prior Period Adjustment

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

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

P. Restricted Fund Balance

Restricted balances at June 30, 2018 are as follows:

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

Q. Joint Ventures (Joint Powers Agreements)

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

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

Schools Legal Services
(legal services)

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

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

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

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

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

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

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

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

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

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

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

R. Subsequent Events

Implementation of New Accounting Guidance

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

GASB 83 - Certain Asset Retirement Obligations

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

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

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

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

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

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

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Required Supplementary Information

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-1

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

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

ARVIN UNION SCHOOL DISTRICT **EXHIBIT B-2**

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

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

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

ARVIN UNION SCHOOL DISTRICT **EXHIBIT B-3**

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

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

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

ARVIN UNION SCHOOL DISTRICT **EXHIBIT B-4**

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

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-5

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT B-6

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

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

Notes to Schedule:

There were no changes of benefit terms in 2018.

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

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

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

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Combining Statements and Budget Comparisons as Supplementary Information

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

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
ALL GENERAL FUNDS
JUNE 30, 2018

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

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

ARVIN UNION SCHOOL DISTRICT

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

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

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

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

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

ARVIN UNION SCHOOL DISTRICT

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

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

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

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

ARVIN UNION SCHOOL DISTRICT

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-7

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-8

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

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

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

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

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

ARVIN UNION SCHOOL DISTRICT

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

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-11

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-12

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-13

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

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

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-14

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

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

The accompanying notes are an integral part of this statement.

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Other Supplementary Information

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

Supplementary Information Section

ARVIN UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2018

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

Governing Board

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

Administration

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

ARVIN UNION SCHOOL DISTRICT

Table D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

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

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

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

ARVIN UNION SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

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

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet its target funding.

ARVIN UNION SCHOOL DISTRICT

TABLE D-3

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

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

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

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

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

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

NOTES:

1 The budget for 2019 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

ARVIN UNION SCHOOL DISTRICT

TABLE D-4

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

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

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

ARVIN UNION SCHOOL DISTRICT

TABLE D-5

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

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).

ARVIN UNION SCHOOL DISTRICT **TABLE D-6**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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

The accompanying notes are an integral part of this schedule.

ARVIN UNION SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

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

Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent the difference between funds received and funds expended in the current year for programs which are classified as entitlements and therefore are not subject to revenue deferral. The unspent balances are reported as legally restricted ending balances with the General Fund.

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

Other Independent Auditor's Reports

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

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arvin Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arvin Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arvin Union School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arvin Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Arvin Union School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Linger, Peterson & Shrum

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

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

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

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Arvin Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Arvin Union School District's major federal programs for the year ended June 30, 2018. Arvin Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Arvin Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Arvin Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Arvin Union School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Arvin Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Arvin Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Arvin Union School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Linger, Peterson & Shrum

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

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

Independent Auditor's Report on State Compliance

Board of Trustees
Arvin Union School District
Arvin, California 93203

Members of the Board of Trustees:

Report on State Compliance

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

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

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

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

Basis for Qualified Opinion on State Compliance

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

Finding No.	Compliance Requirement
2018-002	Classroom Teacher Salaries

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on State Compliance for Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on State Compliance paragraph, the Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other State Programs identified in the Auditor's Responsibility section above, for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other State Programs

In our opinion, Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above, for each of it's other State Programs identified in the Auditor's Responsibility section, for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

Arvin Union School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Linger, Peterson & Shrum

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

Findings and Recommendations Section

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	X	Yes	____	
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Migrant Education--State Grant Program
84.027, 84,173	Special Education (IDEA) Cluster
84.010	Title I Grants to Local Educational Agencies (Title I of IASA)

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	____	Yes	X	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	X	Yes	____	No
Type of auditor's report issued on compliance for state programs:	Qualified			

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of "Government Auditing Standards."

2018-001 Internal Control [30000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

A strong internal control structure is necessary to provide management with reasonable, but not absolute, assurance that financial data are recorded, processed, summarized, and reported consistent with the assertions embodied in the financial statements.

Condition

There is inadequate control over financial transactions of the Student Body Funds because of a general lack of segregation of duties due to a limited number of employees. We believe this to be a significant deficiency.

Questioned Costs

There were no questioned costs related to this finding.

Perspective

This weakness applies to the entire internal control structure over the student body funds.

Effect

If financial data were recorded, processed, summarized, or reported in a manner which was not consistent with the assertions embodied in the financial statements, management may not be able to detect such errors within a reasonable period of time.

Cause

There are not enough District employees involved in these funds to adequately separate the duties**.** This finding is a repeat finding for this District, and has been reported previously for June 30, 2016**.** (Finding 2016-001)

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no Federal award findings and questioned costs.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

2018-002 Classroom Teacher Salaries [61000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

For an elementary school district, 60% of the district's current expense of education should be for salaries of classroom teachers, as set forth in Education Code Section 41372 (b)(1).

Condition

The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The percentage should have been at least 60%, and it was only 56.36%.

Questioned Costs

The questioned cost is the deficiency amount of $1,195,408.80.

Perspective

Minimum percentage required		60.00 %
Percentage spent by this District		56.36
Percentage below the minimum		3.64 %
District's current expense of education after reductions	$ 32,840,901.14	
Deficiency amount	$ 1,195,408.80	

Effect

The District did not pay out 60% of the District's current expense of education for salaries of classroom teachers. The District was deficient by $1,195,408.80. The District may be required to add the deficient amount of $1,195,408.80 to the amounts to be expended for salaries of classroom teachers during 2018-2019. This finding is a repeat finding for this program and has been reported previously for June 30, 2017. (Finding 2017-004)

Cause

The new Local Control Funding Formula has increased the District's revenue and changed the allowable and required uses of the revenues, thus affecting the ratio of classroom expenditures vs**.** operating expenditures. More funding is counted in this percentage than ever before, which makes it harder to meet.

Recommendation

The District should take steps to remedy this situation by being pro-active in ensuring that when additional programs and services for students are being added, that more attention be taken to ensure additional funds are being directed toward classroom expenditures. Also, as State Teacher Retirement contribution rates increase over the next several years, more funds will be spent on classroom expenditures each year as well. For this year, the District could apply for an "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries."

Views of Responsible Officials and Planned Corrective Actions

The District completed the "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries." The District management also believes that this formula needs to be updated to more appropriately reflect the adjustments and changes to LCAP.

ARVIN UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2017-001 Internal Control [30000] There is inadequate control over financial transactions of the Student Body Funds because of a general lack of segregation of duties due to a limited number of employees. We believe this to be a material weakness. This finding is a repeat finding for this District, and has been reported previously for June 30, 2017. (Finding 2017-001)	Not Implemented	There are not enough District employees involved in these funds to adequately separate the duties.
2017-002 Internal Control [30000] Reimbursement to the Haven Drive Middle School Student Body Fund. Finding 2016-004 was not implemented as the General Fund needed to reimburse the Haven Drive Student Body for inappropriate expenditures in the amount of $1,216.	Implemented	
2017-003 Miscellaneous [60000] GASB 45 Actuarial Valuation. The District's management did not obtain an actuarial report per GASB 45 reporting requirements.	Implemented	
2017-004 Classroom Teacher Salaries [61000] The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The percentage should have been at least 60%, and it was only 54.65%. The District received the approval for the waiver on December 6, 2017.	Not Implemented	See current year finding. The District management believes that this formula needs to be updated to more appropriately reflect the adjustments and changes to LCAP.