ARVIN UNION SCHOOL DISTRICT
COUNTY OF KERN
ARVIN, CALIFORNIA
AUDIT REPORT
JUNE 30, 2017

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

This page is intentionally left blank.

Introductory Section

Arvin Union School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	Page	Exhibit/Table
FINANCIAL SECTION		
Independent Auditor's Report	2	
Management's Discussion and Analysis (Required Supplementary Information)	6	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	14	Exhibit A-1
Statement of Activities	15	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	Exhibit A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds	20	Exhibit A-7
Notes to the Financial Statements	21	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	56	Exhibit B-1
Schedule of the District's Proportionate Share of the Net Pension Liability - California Strs	57	Exhibit B-2
Schedule of District's Contributions - California Strs	58	Exhibit B-3
Schedule of the District's Proportionate Share of the Net Pension Liability - California Pers	59	Exhibit B-4
Schedule of District's Contributions - California Pers	60	Exhibit B-5
Combining Statements and Budgetary Comparison Schedules as Supplementary Information:		
General Fund:		
Combining Balance Sheet	62	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64	Exhibit C-2
Combining Balance Sheet - All Nonmajor Governmental Funds	66	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	67	Exhibit C-4
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	68	Exhibit C-5

Arvin Union School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	Page	Exhibit/Table
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	69	Exhibit C-6
Budgetary Comparison Schedules:		
Child Development Fund	70	Exhibit C-7
Cafeteria Fund	71	Exhibit C-8
Debt Service Funds:		
Budgetary Comparison Schedule:		
Bond Interest and Redemption Fund	72	Exhibit C-9
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds	73	Exhibit C-10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	74	Exhibit C-11
Budgetary Comparison Schedules:		
Building Fund	75	Exhibit C-12
Capital Facilities Fund	76	Exhibit C-13
County School Facilities Fund	77	Exhibit C-14
Special Reserve Fund for Capital Outlay Projects	78	Exhibit C-15
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities	79	Exhibit C-16
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure	84	
Schedule of Average Daily Attendance	85	Table D-1
Schedule of Instructional Time	86	Table D-2
Schedule of Financial Trends and Analysis	87	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	88	Table D-4
Schedule of Charter Schools	89	Table D-5
Schedule of Expenditures of Federal Awards	90	Table D-6
Notes to the Schedule of Expenditures of Federal Awards	92	
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*	94	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	96	

Arvin Union School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	Page	Exhibit/Table
Independent Auditor's Report on State Compliance	98	
Schedule of Findings and Questioned Costs	102	
Summary Schedule of Prior Audit Findings	108	

Financial Section

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arvin Union School District ("the District") as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the Unites 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arvin Union School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 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 15, 2017 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 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 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 15, 2017

Management's Discussion and Analysis

DR. MICHELLE McLEAN
District Superintendent

GEORGIA RHETT
Assistant Superintendent

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

ARVIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

This section of Arvin Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

Financial Highlights:

- The District is able to meet all of the current needs and maintain an adequate reserve.
- Overall revenues for all governmental funds were $43,182,164, expenditures were $49,849,646, and net other sources/(uses) were $3,591,591 which resulted in a decrease in fund balance of $3,075,891.

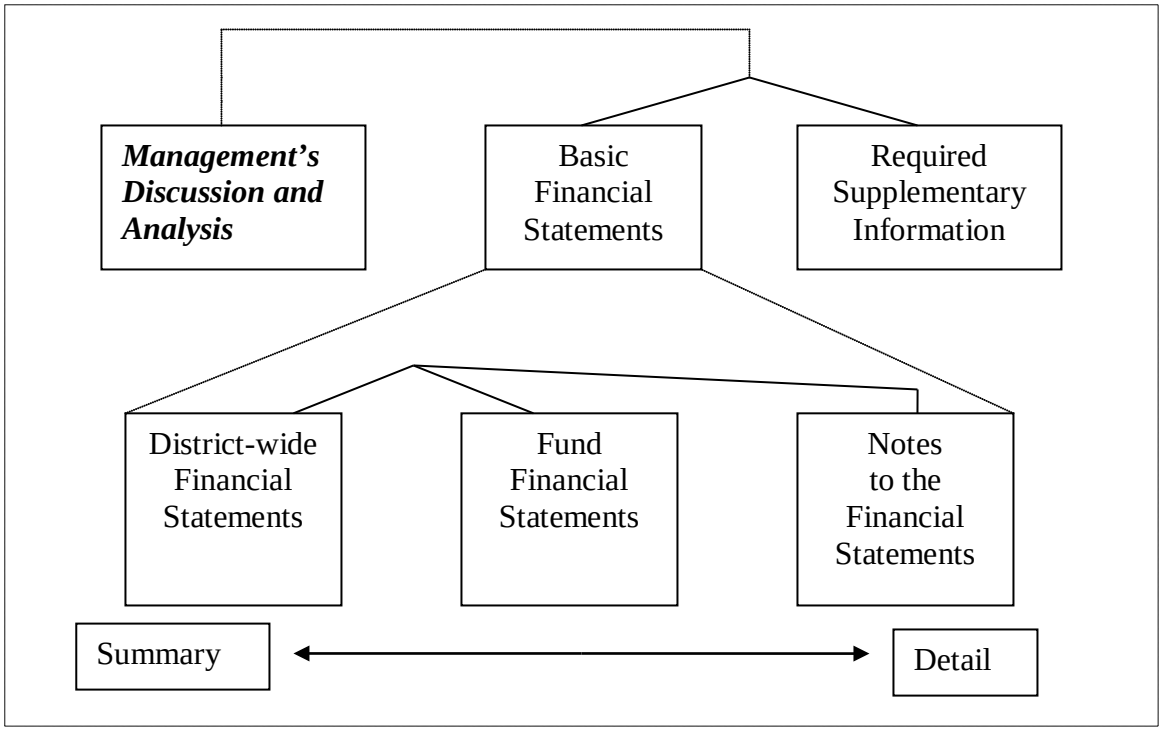
Overview of the Financial Statements:

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and the Supplementary Information.

The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the District-wide statements.
- The governmental fund statements tell how basic services like regular and special education were financed in the short-term, as well as what remains for future spending.
- The fiduciary fund statements are for the student body funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



District-Wide Statements:

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net position. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position will be an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

District-wide financial statements include the governmental activities, which include the basic services such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements:

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

Financial Analysis of the District as a Whole:

Net Position

The District's combined net position was ($8,128,746) at June 30, 2017 which is a decrease of $3,450,299 over the prior year net position. Table A-1 below identifies the total assets, total liabilities and the total net position as of June 30, 2017.

Table A-1
Arvin Union School District
Net Position
June 30, 2017 and 2016

	Governmental Activities		
	2017	2016	Percentage Increase (Decrease)
ASSETS			
Current and Other Assets	$ 14,467,576	$ 18,481,609	- 21.72%
Capital Assets	37,821,904	31,531,907	19.95
Total Assets	$ 52,289,480	$ 50,013,516	4.55
DEFERRED OUTFLOWS OF RESOURCES	$ 3,991,495	$ 2,057,739	93.97
LIABILITIES			
Long-Term Liabilities	$ 59,479,340	$ 51,909,450	14.58
Other Liabilities	1,444,045	2,384,252	- 39.43
Total Liabilities	$ 60,923,385	$ 54,293,702	12.21
DEFERRED INFLOWS OF RESOURCES	$ 3,109,274	$ 2,456,000	26.60
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 20,950,303	$ 13,615,859	53.87
Restricted	5,051,870	7,942,032	- 36.39
Unrestricted	(34,130,919)	(26,236,338)	30.09
Total Net Position	($ 8,128,746)	($ 4,678,447)	73.75

Changes in Net Position

Table A-2 identifies the net position beginning balance, the revenues and expenses for 2016-17, and the end of the year net position. Federal and State Aid account for most of the District's revenue. The next largest revenue source is from operating grants, and the remainder from property taxes and other revenue. Expenses are identified using different categories.

Table A-2
Arvin Union School District
Changes in Net Position
Years Ended June 30, 2017 and 2016

	Governmental Activities		
	2017	2016	Percentage Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	$ 209,020	$ 11,874	1,660.32%
Operating grants and contributions	10,083,837	10,163,902	- 0.79
General Revenues	35,423,262	32,019,103	8.35
Total Revenues	45,716,119	42,194,879	10.63
Expenses			
Program Expenses			
Instruction	26,581,136	22,614,262	17.54
Instruction-related services	6,669,704	2,458,308	171.31
Pupil services	5,848,027	5,027,339	16.32
General administration	3,044,420	3,838,802	- 20.69
Plant services	4,445,543	4,157,230	6.94
Ancillary and community services	580,441	531,121	9.29
Other outgo	1,997,147	1,950,636	2.38
Total Expenses	49,166,418	40,577,698	21.17
Changes in Net Position	(3,450,299)	1,617,181	- 313.35
Net Position, Beginning Balance	(4,678,447)	(6,295,628)	- 25.69
Net Position, Ending Balance	($ 8,128,746)	($ 4,678,447)	73.75

Table A-3 presents the cost of the major District activities: Instruction, Instruction-Related Services, Pupil Services, General Administration, Plant Services, Ancillary and Community Services, and Other Outgo. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on other sources of funding.

Table A-3
Arvin Union School District
Statement of Governmental Activities

	June 30, 2017		June 30, 2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 26,581,136	$ 22,153,764	$ 22,614,262	$ 18,207,548
Instruction-Related Services	6,669,704	5,617,321	4,386,840	2,837,936
Pupil Services	5,848,027	2,580,582	5,027,339	1,783,144
General Administration	3,044,420	2,575,114	1,910,270	1,831,883
Plant Services	4,445,543	3,462,201	4,157,230	4,088,266
Ancillary and Community Services	580,441	487,432	531,121	243,371
Other Outgo	1,997,147	1,997,147	1,950,636	1,409,774
Totals	$ 49,166,418	$ 38,873,561	$ 40,577,698	$ 30,401,922

Financial Analysis of the District's Funds:

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $13,056,167. The District expects to maintain a sound financial picture in the coming year.

General Fund Budgetary Highlights:

Over the course of the year, the District's General Fund budget was revised several times. These budget amendments include the following categories:

- Unearned revenue, carryover, and fund balances were budgeted after unaudited actuals were completed.
- Restricted categorical program amounts for State and Federal grants were revised mid- year.
- Revised budgets at 1st and 2nd Interim reporting
- Budgets were revised at year end closing

Capital Assets and Long-Term Debt:

Capital Assets

The District has established a $5,000 threshold for identifying capital assets. Capital assets are categorized by land, improvement of sites, buildings, and equipment. Table A-4 presents these categories (at cost) and the amount associated with each one, less accumulated depreciation. The total capital assets for governmental activities are $37,821,904.

Table A-4
Arvin Union School District
Capital Assets - Governmental Activities

	2017	2016	Change
Land	$ 1,462,548	$ 1,462,548	$ 0
Buildings and Improvements	40,191,736	39,516,468	675,268
Equipment	3,972,100	3,957,077	15,023
Work in Progress	7,265,717	481,058	6,784,659
Less Accumulated Depreciation	(15,070,197)	(13,885,244)	(1,184,953)
Totals	$ 37,821,904	$ 31,531,907	$ 6,289,997

Long-Term Debt

The District increased its long-term debt by $7,946,952 in 2016-17, compared to the 2015-16 balance. At year-end, the District had $59,856,402 in long-term debt, as shown in Table A-5.

Table A-5
Arvin Union School District
Long-Term Debt - Governmental Activities

	2017	2016	Change
General Obligation Bonds Payable	$ 14,754,223	$ 11,769,223	$ 2,985,000
Accreted Interest on General Obligation Bonds	3,058,788	2,626,956	431,832
	17,813,011	14,396,179	3,416,832
Compensated Absences Payable	299,546	358,136	(58,590)
Contract Payable	747,029	1,110,033	(363,004)
Capital Leases Payable	2,084,742	2,375,135	(290,393)
Early Retirement Incentives			
CalSTRS	338,060	310,864	27,196
CalPERS and Other	98,641	130,227	(31,586)
Other Postemployment Benefits Payable	9,519,927	8,088,876	1,431,051
Net Pension Liability	28,955,446	25,140,000	3,815,446
Totals	$ 59,856,402	$ 51,909,450	$ 7,946,952

Factors Bearing on the District's Future:

The district continues to target services to students based on the LCAP process and the needs of the students. The District will maintain its conservative approach and will continue to try and maintain reserves and cut expenditures, while maintaining an outstanding educational environment.

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.

* * *

Basic Financial Statements

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 10,809,137
Cash on Hand and in Banks	65,755
Cash in Revolving Fund	6,000
Investments	1,532,732
Accounts Receivable	1,609,729
Due from Grantor Governments	286,256
Stores Inventories	23,650
Prepaid Expenses	134,317
Capital Assets:	
Land	1,462,548
Land Improvements, Net	358,400
Buildings, Net	26,823,886
Equipment, Net	1,911,353
Work in Progress	7,265,717
Total Assets	52,289,480
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Expenses	3,991,495
Total Deferred Outflows of Resources	3,991,495
LIABILITIES:	
Accounts Payable	1,229,936
Unearned Revenue	214,109
Long-term Liabilities	
Due Within One Year:	
Bonds Payable	560,000
Other Post-employment Benefits Payable	1,076,746
Capital Leases Payable	303,543
Early Retirement Incentives Payable	136,232
Other	369,967
Due After One Year:	
Net Pension Liability	28,955,446
Bonds Payable	17,253,011
Other Post-employment Benefits Payable	8,443,181
Capital Leases Payable	1,781,199
Early Retirement Incentives Payable	300,469
Compensated Absences Payable	299,546
Total Liabilities	60,923,385
DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenues	3,109,274
Total Deferred Inflows of Resources	3,109,274
NET POSITION:	
Net Investment in Capital Assets	20,950,303
Restricted For:	
Debt Service	998,199
Capital Projects	3,116,997
Other Purposes	936,674
Unrestricted	(34,130,919)
Total Net Position	$ (8,128,746)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	$ 26,581,136	$ 105,097	$ 4,322,275	$ (22,153,764)
Instruction-Related Services	6,669,704	26,418	1,025,965	(5,617,321)
Pupil Services	5,848,027	37,003	3,230,442	(2,580,582)
Ancillary Services	32,265	130	4,840	(27,295)
Community Services	548,176	2,307	85,732	(460,137)
General Administration	3,044,420	12,298	457,008	(2,575,114)
Plant Services	4,445,543	25,767	957,575	(3,462,201)
Other Outgo	1,146,742	-	-	(1,146,742)
Interest on Long-Term Obligations	850,405	-	-	(850,405)
Total Governmental Activities	49,166,418	209,020	10,083,837	(38,873,561)
Total Primary Government	$ 49,166,418	$ 209,020	$ 10,083,837	(38,873,561)
	General Revenues:			
	LCFF Sources			29,984,947
	Federal Revenues			30,264
	State Revenues			3,461,600
	Local Revenues			1,946,451
	Total General Revenues			35,423,262
	Change in Net Position			(3,450,299)
	Net Position - Beginning			(4,678,447)
	Net Position - Ending			$ (8,128,746)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 6,275,057	$ 2,844,678	$ 1,689,402	$ 10,809,137
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	963,622	8,752	637,355	1,609,729
Due from Grantor Governments	286,256	-	-	286,256
Due from Other Funds	5,005,248	263,567	112,113	5,380,928
Stores Inventories	-	-	23,650	23,650
Prepaid Expenditures	-	-	117,995	117,995
Total Assets	13,424,169	3,116,997	3,291,016	19,832,182
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 1,148,287	$ -	$ 32,691	$ 1,180,978
Due to Other Funds	4,779,003	-	601,925	5,380,928
Unearned Revenue	212,967	-	1,142	214,109
Total Liabilities	6,140,257	-	635,758	6,776,015
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	5,000	-	1,000	6,000
Stores Inventories	-	-	23,650	23,650
Prepaid Items	-	-	117,994	117,994
Restricted Fund Balances	533,405	-	403,269	936,674
Assigned Fund Balances	3,834,190	3,116,997	2,109,345	9,060,532
Unassigned:				
Reserve for Economic Uncertainty	2,911,317	-	-	2,911,317
Total Fund Balance	7,283,912	3,116,997	2,655,258	13,056,167
Total Liabilities and Fund Balances	$ 13,424,169	$ 3,116,997	$ 3,291,016	$ 19,832,182

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, 2017

Total Fund Balances - Balance Sheet, Governmental Funds	$	13,099,975
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		53,011,096
Accumulated depreciation		(15,189,192)
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		16,322
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(48,958)
General obligation bonds payable		(14,754,223)
Accreted interest		(3,058,788)
Other post-employment benefits payable		(9,519,927)
Net pension liability		(28,955,446)
Compensated absences payable		(299,546)
Capital leases payable		(2,084,742)
Early Retirement Incentives-STRS		(338,060)
Early Retirement Incentives-PERS		(66,403)
Early Retirement Incentives-PARS		(32,238)
Contract Payable		(747,029)
Deferred outflows and inflows of resources relating to pensions are not reported in the funds because they are applicable to future periods:		
Deferred outflows of resources related to pensions		3,991,495
Deferred inflows of resources related to pensions		(3,109,274)
Net Assets of Governmental Activities - Statement of Net Assets	$	(8,084,938)

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, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 23,870,897	$ -	$ -	$ 23,870,897
Education Protection Account Funds	3,803,638	-	-	3,803,638
Local Sources	2,310,412	-	-	2,310,412
Federal Revenue	3,280,113	-	2,566,896	5,847,009
Other State Revenue	4,683,192	-	607,659	5,290,851
Other Local Revenue	643,344	55,429	1,360,584	2,059,357
Total Revenues	38,591,596	55,429	4,535,139	43,182,164
Expenditures:				
Current:				
Instruction	20,815,523	-	434,767	21,250,290
Instruction - Related Services	5,616,280	-	46,147	5,662,427
Pupil Services	2,594,891	-	2,729,595	5,324,486
Ancillary Services	27,425	-	-	27,425
Community Services	489,443	-	-	489,443
General Administration	2,609,059	-	62	2,609,121
Plant Services	4,262,051	35,489	95,159	4,392,699
Other Outgo	1,145,442	-	-	1,145,442
Capital Outlay	1,755,797	3,242,910	2,743,565	7,742,272
Debt Service:				
Principal	290,393	-	515,000	805,393
Interest	55,578	-	345,070	400,648
Total Expenditures	39,661,882	3,278,399	6,909,365	49,849,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,070,286)	(3,222,970)	(2,374,226)	(6,667,482)
Other Financing Sources (Uses):				
Proceeds From Sale of Bonds	-	3,319,538	-	3,319,538
Other Sources	-	-	272,053	272,053
Total Other Financing Sources (Uses)	-	3,319,538	272,053	3,591,591
Net Change in Fund Balance	(1,070,286)	96,568	(2,102,173)	(3,075,891)
Fund Balance, July 1	8,354,198	3,020,429	4,757,431	16,132,058
Fund Balance, June 30	$ 7,283,912	$ 3,116,997	$ 2,655,258	$ 13,056,167

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, 2017

Net change in fund balances-total governmental funds	$	(3,075,891)
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		7,978,239
Depreciation expense		(1,303,948)
Governmental funds report repayments of long-term debt as expenditures. In the Government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		784,103
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		3,365
Compensated absences		58,590
Other post-employment benefits cost in excess of contributions		(1,431,051)
Accreted interest		(431,832)
Early Retirement Incentives-STRS		(27,196)
Early Retirement Incentives-PERS		(22,533)
Early Retirement Incentives-PARS		16,119
Early Retirement Incentives-Other		38,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Amounts recognized in the funds as proceeds from debt were:		(3,500,000)
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:		(2,534,964)
Change in net assets of governmental activities - statement of activities	$	(3,450,299)

The accompanying notes are an integral part of this statement.

ARVIN UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 48,192
Total Assets	48,192
LIABILITIES:	
Due to Student Groups	$ 48,192
Total Liabilities	48,192
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. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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:

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.

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 does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

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

d. Receivable and Payable Balances

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

e. Compensated Absences

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

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

f. Unearned Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

6. Deferred Inflows and Deferred Outflows of Resources

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

7. GASB 54 Fund Presentation

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

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)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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 new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

2. The gross dollar amount of taxes abated during the period.

3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

B. Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Certificated salaries	$ 490,130
Classified salaries	927,617
Employee benefits	2,575,281
Other Outgo	55,520
Debt Service: Principal	290,393
Child Development Fund:	
Certificated Salaries	16,367
Classified Salaries	1,799
Employee Benefits	36,782
Books and Supplies	8,026
Services and other operating expenditures	4,438
Cafeteria Fund:	
Classified Salaries	26,667
Employee Benefits	73,834
Books and Supplies	531,479
Services and Other Operating Expenditures	75,693
Building Fund:	
Books and Supplies	13,348
Services and Other Operating Expenditures	22,141
Capital Outlay	1,742,910
Capital Facilities Fund	
Services and Other Operating Expenditures	1,221
Capital Expenditures	2,343,565
Bond Interest and Redemption Fund:	
Debt Service: Principal	515,000
Debt Service: Interest	345,070

General fund: The District incurred unanticipated expenditures for salary increases, higher cost of employee benefits, and other outgo. The District did not create a budget for Debt Service Principal payments.

Child Development Fund: The District incurred unanticipated expenditures for salary increases, higher cost of employee benefits, and an increase in supplies and operating expenditures due to an increase is services provided.

Cafeteria fund: The District incurred unanticipated expenditures for inflationary salary increases and new contract services.

Building Fund: The District incurred unanticipated expenditures related to modernization and construction projects.

Capital Facilities Fund: The District incurred unanticipated expenditures related to operating expenditures for rentals and repair

Bond Interest and Redemption Fund: The District did not create a budget for Debt Service as the Fund is not active in the District's accounting system. All Debt Service information is provided by the County Office of Education after the fiscal year end

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($10,809,137 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $10,809,137. 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, 2017 are shown below.

Investment or Investment Type	Maturity	Fair Value
Cash in County Treasury	Less Than 12 Months	$ 10,809,137
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	Less Than Five Years	1,532,732
Total Investments		$ 12,413,624

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, 2017 consisted of the following:

	General Fund	Building Fund	All Other Government Funds	Total Governmental Funds
Federal programs	$ 802,862	$ -	$ 549,711	$ 1,352,573
State categorical aid programs	187,322	-	75,592	262,914
State lottery	154,698	-	-	154,698
Interest	16,997	8,752	2,964	28,713
Other local receivables	87,999	-	9,088	97,087
Total	$ 1,249,878	$ 8,752	$ 637,355	$ 1,895,985

E. Capital Assets

Capital asset activity for the year ended June 30, 2017, 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	481,058	6,784,659	-	7,265,717
Total capital assets not being depreciated	1,943,606	6,784,659	-	8,728,265
Capital assets being depreciated:				
Buildings	38,099,923	523,560	-	38,623,483
Improvements	1,416,545	151,708	-	1,568,253
Equipment	3,957,071	134,018	118,989	3,972,100
Total capital assets being depreciated	43,473,539	809,286	118,989	44,163,836
Less accumulated depreciation for:				
Buildings	(10,772,784)	(1,026,813)	-	(11,799,597)
Improvements	(1,180,136)	(29,717)	-	(1,209,853)
Equipment	(1,932,318)	(247,418)	(118,989)	(2,060,747)
Total accumulated depreciation	(13,885,238)	(1,303,948)	(118,989)	(15,070,197)
Total capital assets being depreciated, net	29,588,301	(494,662)	-	29,093,639
Governmental activities capital assets, net	$ 31,531,907	$ 6,289,997	$ -	$ 37,821,904

Depreciation was charged to functions as follows:

Instruction	$ 706,392
Instruction-Related Services	127,562
Pupil Services	192,445
Community Services	1,041
General Administration	17,068
Plant Services	259,440
	$ 1,303,948

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, 2017, consisted of the following:

Fund	Due From	Due To
General Fund	$ 566,924	$ 4,779,003
Child Development Fund	74,732	237,397
Cafeteria Special Revenue Fund	37,381	364,528
Special Revenue Fund for Other Than Capital Outlay Projects	1,339,000	-
Special Reserve Fund for Postemployment Benefits	3,099,324	-
Building Fund	263,567	-
Total	$ 5,380,928	$ 5,380,928

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, 2017 consisted of the following:

	General Fund	All Other Government Funds	Total Governmental Funds
Vendor payables	$ 491,954	$ 9,595	$ 501,549
Salaries and benefits	454,909	23,096	478,005
State categorical aid programs	201,424	-	201,424
Total	$ 1,148,287	$ 32,691	$ 1,180,978

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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 11,769,223	$ 3,500,000	$ 515,000	$ 14,754,223	560,000
Accreted Interest	2,626,956	431,832	-	3,058,788	-
Capital leases	2,375,135	-	290,393	2,084,742	303,543
Other postemployment benefits payable	8,088,876	2,153,915	722,864	9,519,927	1,076,746
Compensated absences	358,136	-	58,590	299,546	-
Net pension liability	25,140,000	3,815,446	-	28,955,446	-
Contract payable	1,110,033		363,004	747,029	369,967
Early retirement incentives - STRS	310,864	105,742	78,546	338,060	91,761
Early retirement incentives - PERS	43,870	39,802	17,269	66,403	28,352
Early retirement incentives - PARS	48,357		16,119	32,238	16,119
Early retirement incentives - Other	38,000		38,000		
Total governmental activities	$ 51,909,450	$ 10,046,737	2,099,785	59,856,402	2,446,488

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
Early retirement incentives - Other	Governmental	General

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

The outstanding general obligation bond debt of the District at June 30,2017, is as follows:

Bond	Issue Date	Maturity Date	Interest Rate %
1996 Election	5/1/96	11/1/14	3.90-5.80
1996 Election	5/1/96	11/1/14	5.65-7.50
1989, Series 2005	10/1/04	11/1/14	4.00-5.00
2004, Series 2004A	5/27/04	5/1/48	3.25-5.90
2014, Series 2015 A	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, 2016	Issued During Year	Redeemed During Year	Bonds Outstanding June 30, 2017
1996 Election	$ 3,270,000	$ -	$ -	$ -	$ -
1996 Election	1,080,000	-	-	-	-
1989, Series 2005	768,835	-	-	-	-
2004, Series 2004A	5,059,349	129,349	-	-	129,349
2014, Series 2015 A	5,059,874	4,884,874	-	50,000	4,837,874
Refunding Bond, Series 2015A	3,115,000	3,115,000		230,000	2,885,000
Refunding Bond, Series 2015A	3,860,000	3,640,000	-	235,000	3,405,000
2014, Series 2017B	3,500,000	-	3,500,000	-	3,500,000
	$ 25,713,058	$ 11,769,223	$ 3,500,000	$ 515,000	$ 14,757,223

The annual requirements to amortize general obligation bonds, payable and outstanding, and accreted interest as of June 30, 2017 are as follows:

	General Obligation Bonds		
Year Ending June 30,	Principal	Interest	Total
2018	$ 560,000	$ 424,088	$ 984,088
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
2023-2027	2,711,931	1,949,858	4,661,789
2028-2032	1,274,923	4,477,453	5,752,376
2033-2037	2,090,298	4,935,629	7,025,927
2038-2042	2,584,211	6,010,708	8,594,919
2043-2047	2,977,202	7,139,460	10,116,662
2048-2048	240,658	2,419,342	2,660,000
Totals	$ 14,754,223	$ 28,887,189	$ 43,641,412

Year Ending June 30,	Accreted Interest
2018	$ -
2019	-
2020	-
2021	-
2022	-
2023-2027	156,764
2028-2032	714,214
2033-2037	742,482
2038-2042	674,304
2043-2047	600,906
2048-2048	170,118
Totals	$ 3,058,788

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2017, as follows:

Year Ending June 30:	Principal	Interest.	Lease Payment
2018	$ 303,543	$ 48,783	$ 352,326
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
2023-2027	951,850	54,177	1,006,027
Total Minimum Rentals	$ 2,084,742	$ 242,128	$ 2,326,870
Rental Expenditures in 2017			$ 345,971

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
2018	$ 369,967	$ 14,327	$ 384,294
2019	377,062	7,232	384,294
Totals	$ 747,029	$ 21,559	$ 768,588

5. Early Retirement Incentive

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

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

The Board has adopted an early retirement incentive program through the PARS Supplementary Retirement Plan. The District has entered into contracts with certain eligible employees who will receive supplementary retirement benefits. Eligible Certificated Non-Management, and Certificated and Classified Management employees will receive five annual contributions of $10,000 to a 403(b) annuity contract, beginning in December 2012. Eligible 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
2018	$ 136,232	$ 29,335	$ 165,567
2019	106,404	20,235	126,639
2020	43,963	12,017	55,980
2021	38,301	9,008	47,309
2022	38,804	6,708	45,512
2023-2027	72,997	7,759	80,756
Totals	$ 436,701	$ 85,062	$ 521,763

I. 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, 2017 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, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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, 2016 (measurement date) the State contributed 5.400% 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. Contribution 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
2015	5.679%	$ 687,443
2016	7.126%	$ 993,074
2017	5.400%	$ 817,486

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 1,435,994	$ 525,302	$ 1,961,296
Contributions - State On Behalf Payments (Fiscal Year)	817,486		817,486
Total Contributions	$ 2,253,480	$ 525,302	$ 2,778,782

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

As of June 30, 2017, 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	$ 21,699,537
CalPERS	7,255,909
Total Net Pension Liability	$ 28,955,446

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2016 and June 30,2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0296%	0.0168%	0.0464%	0.0359%
Proportion June 30, 2017	0.0269%	0.0186%	0.0455%	0.0366%
Change in Proportion	-0.0026%	0.0018%	-0.0008%	0.0007%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 1,879,537	$ 1,935,909	$ 3,815,446
Contributions - State On Behalf Payments	817,486		817,486
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	385,368	(142,809)	242,559
Difference Between Actual & Expected Experience	(1,070)	(35,796)	(36,866)
Change in Assumptions	-	(87,517)	(87,517)
Change in Proportionate Shares	1,197,898	(97,666)	1,100,232
Net Difference Between Projected & Actual Earnings	(2,509)	(1,311,458)	(1,313,967)
Total Pension Expense	$ 4,276,710	$ 260,663	$ 4,537,373

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, 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	$ 1,050,626	$ 668,111	$ 1,718,737
Differences between actual and expected experience	-	361,415	361,415
Changes in assumptions	-	-	-
Change in employer's proportion share	-	81,177	81,177
Net difference between projected and actual earnings	6,388	1,823,778	1,830,166
Total Deferred Outflows of Resources	$ 1,057,014	$ 2,934,481	$ 3,991,495

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ -	$ -	$ -
Differences between actual and expected experience	(4,647)	-	(4,647)
Changes in assumptions	-	(262,552)	(262,552)
Change in employer's proportionate share	(2,077,712)	(49,466)	(2,127,178)
Net difference between projected and actual earnings		(714,897)	(714,897)
Total Deferred Inflows of Resources	$ (2,082,359)	$ (1,026,915)	$ (3,109,274)

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, 2018. 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 Outflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2018	$ 1,052,466	$ 1,309,415	$ (576,219)	$ (461,455)	$ 1,324,207
2019	1,840	641,304	(576,219)	(461,454)	(394,529)
2020	1,839	641,303	(575,314)	(104,006)	(36,178)
2021	869	342,459	(354,607)	-	(11,279)
Thereafter	-	-	-	-	-
Total	$ 1,057,014	$ 2,934,481	$ (2,082,359)	$ (1,026,915)	$ 882,221

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% 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% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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 06/30/2016	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 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(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	6.60%	6.65%
Net Pension Liability	$ 31,355,711	$ 10,789,651
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 21,699,537	$ 7,255,909
1% Increase	8.60%	8.65%
Net Pension Liability	$ 13,838,900	$ 4,268,900

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, 2016 (Previously Reported)	$ 116,643,000	$ 86,340,000	$ 30,303,000	$ 10,483,000	$ 19,820,000
Changes for the year:					
Change in Proportionate share	(2,157,439)	(1,596,955)	(560,484)	1,211,830	(1,772,314)
Service Cost	2,674,810		2,674,810	1,092,564	1,582,246
Interest	8,803,105		8,803,105	3,595,752	5,207,353
Differences between expected and actual experience	(550,536)		(550,536)	(224,874)	(325,662)
Contributions:					
Employer		1,544,206	(1,544,206)	(630,753)	(913,453)
Employee		1,346,728	(1,346,728)	(550,090)	(796,638)
State On Behalf Payments		883,362	(883,362)	(360,822)	(522,540)
Net Investment Income		1,049,596	(1,049,596)	(428,722)	(620,874)
Other Income		18,906	(18,906)	(7,723)	(11,184)
Benefit Payments, including refunds of employee contributions	(5,987,385)	(5,987,385)			-
Administrative expenses		(81,991)	81,991	33,490	48,501
Other Expenses		(6,936)	6,936	2,833	4,103
Net Changes	2,782,555	(2,830,468)	5,613,023	3,733,486	1,879,538
Balance at June 30, 2017	$ 119,425,555	$ 83,509,532	$ 35,916,023	$ 14,216,486	$ 21,699,537

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	$ 25,860,000	$ 20,540,000	$ 5,320,000
Changes for the year:			
Adjustment for Change in Proportionate Share	493,248	391,777	101,471
Service Cost	628,575	-	628,575
Interest	1,992,602	-	1,992,602
Differences between expected and actual experience	146,501	-	146,501
Changes in Assumptions	-	-	-
Contributions - Employer	-	525,302	(525,302)
Contributions - Employee	-	311,649	(311,649)
Net Plan to Plan Resource Movement	-	4	(4)
Net Investment Income	-	108,937	(108,937)
Benefit Payments, including refunds of employee contributions	(1,298,702)	(1,298,702)	-
Administrative expenses	-	(12,652)	12,652
Net Changes	1,962,224	26,315	1,935,909
Balance at June 30, 2017	$ 27,822,224	$ 20,566,315	$ 7,255,909

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

The District's Board of Trustees authorized the establishment of a Section 403(b) Tax-Sheltered Annuity Plan. This is a re

Section 403(b) Tax Sheltered Annuity Plan

Plan Description

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

Funding Policy

All eligible employees electing to participate in this plan choose the amount of monthly compensation deferrals up to maximums allowed by the Internal Revenue Code and its regulations and rulings. The District does not contribute to the plan on behalf of participating employees. For the fiscal year ended June 30, 2017, there were 72 employees that had elected to participate, with total compensation deferrals of $113,605.

J. Early Retirement Incentive Program

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

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

The Board has adopted an early retirement incentive program through the PARS Supplementary Retirement Plan**.** The District has entered into contracts with certain eligible employees who will receive supplementary retirement benefits through Pacific Life Insurance Company. The District is funding this plan in two annual installments with no interest.

The Board has adopted the Arvin Union School District 2012 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 Classified or Confidential employees will receive five annual contributions of $4,000 to a 403(b) annuity contract, beginning in December 2012.

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.

The District has also demonstrated and certified such results to the County Office of Education, as required pursuant to Education Code Section 22714(b)(1). The District's certification reconciles to the information confirmed in the audit.

Retiree Information

A total of two employees have retired in exchange for the additional two years of service credit. The retirees' average age is 65.00 years and average service credit, before the additional two years, is 19.5 years.

			Retired Employees		Replacement (If Applicable)	
Position Vacated	Age	Service Credit	Salary	Benefits	Salary	Benefits
Teacher on Special Assignment*	65	19	$ 98,826	$ 0	$ 0	$ 0
Teacher	65	20	90,438	0	47,049	17,148
Totals			$ 189,264	$ 0	$ 47,049	$ 17,148

* Position not being replaced

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	$ 134,292
Administrative Costs	720
Total Additional Costs	$ 135,012

Yearly Payroll Savings

The District expects this early retirement program to generate annual payroll savings of $125,067 which equals the difference in payroll costs for the two retirees and their one replacement.

Financial Impact

The early retirement incentive program is expected to generate $135,012 in additional costs before savings. The program has a pay-back period of 1.08 years.

K. Postemployment Benefits Other Than Pension Benefits

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).

Eligibility for District-Paid Benefits

Certificated (Arvin Teachers Association)

•

and Certificated Management

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

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

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

Classified (CSEA) and Confidential

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

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

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

Duration of District-Paid Benefits

Certificated (Arvin Teachers Association)
and Certificated Management

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

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

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

Classified (CSEA) and Confidential

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

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

Funding Policy

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement Number 45. The ARC is calculated using certain parameters, which include (1) Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed thirty years. GASB 45 does not require pre-funding of OPEB benefits. The funding policy is to continue to pay healthcare premiums for retirees as they become due ("pay-as-you-go").

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Agency's annual OPEB cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan (including an implicit rate subsidy, if applicable), and changes in the District's net OPEB obligation:

Service cost, adjusted for inflation	$ 784,030
Amortization, adjusted for payroll increases	1,369,885
Adjustment to annual required contributions	-
Annual OPEB cost (expense)	2,153,915
Contributions made by the Agency	(722,864)
Increase in net OPEB obligations	1,431,051
Net OPEB obligation - beginning of year	8,088,876
Net OPEB obligation - end of year	$ 9,519,927

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal years ended for the last four years ended June 30, 2017, are as follows:

Year End June 30	Original Computed Service Cost	Actual Contribution	Percentage of Actual Cost Original Cost	Net Ending OPEB Obligation (Asset)
2014	$ 675,607	$ 956,083	141.51%	$ 5,792,627
2015	697,784	1,221,078	174.99%	6,732,369
2016	746,629	653,158	87.48%	8,088,876
2017	784,030	722,864	92.20%	9,519,927

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuations was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded ALL (UALL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 17,707,430	$ 17,707,430	0.0%	$ 17,439,595	101.5%
July 1, 2010	-	18,447,881	18,447,881	0.0%	16,232,621	113.6%
July 1, 2012	-	21,929,457	21,929,457	0.0%	16,608,448	132.0%
July 1, 2014	-	23,688,090	23,688,090	0.0%	17,337,966	136.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially determined liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2014. In that valuation, the projected unit credit (PUC) cost method was used. The actuarial assumption included a 4.0 percent investment rate of return (net of administrative expenses). The medical trend rate was 4 percent for 2015.The dental and vision rates were 4 percent per year for all years. These assumptions reflect an implicit 2.75 percent general inflation assumption. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis over 30 years. The remaining amortization period as June 30, 2017 was 28 years.

The unfunded net obligation for other postemployment benefits at June 30, 2017, is as follows:

Year End June 30	Total OPEB Payment
2018	$ 1,076,746
2019	1,151,534
2020	1,221,533
2021	1,329,475
2022	1,467,002
2023	3,273,637
	$ 9,519,927

L. Compensated Absences

Compensated absences at June 30, 2017 consisted of:

	Compensated Absences	Benefits	Totals
Classified	$ 273,758	$ 25,788	$ 299,546

All amounts are due after one year.

M. Commitments and Contingencies

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.

N. Restricted Fund Balances

Restricted balances at June 30, 2017 are as follows:

California Clean Energy Jobs Act	$	196,554
Medi-Cal Billing Option		130,979
Lottery: Instructional Materials		103,556
Other Restricted Local		61,568
Educator Effectiveness		40,748
Child Development: Center-Based Reserve Account		11,593
Child Nutrition: School Programs		391,676
Totals	$	936,674

O. 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, 2017 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

P. Subsequent Events

Implementation of New Accounting Guidance

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

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

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 Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase.

GASB Statement No. 81 - Irrevocable Split Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and “negative” goodwill

3. Classifying real estate held by insurance entities

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB

9. Simplifying certain aspects of the alternative measurement method for OPEB

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources---resources other than the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt.

However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

This page is intentionally left blank.

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 23,437,043	$ 23,437,043	$ 23,870,897	$ 433,854
Education Protection Account Funds	3,795,366	3,795,366	3,803,638	8,272
Local Sources	2,573,175	2,573,175	2,310,412	(262,763)
Federal Revenue	3,655,151	3,655,151	3,280,113	(375,038)
Other State Revenue	3,183,471	3,183,471	4,683,192	1,499,721
Other Local Revenue	369,633	369,633	643,344	273,711
Total Revenues	37,013,839	37,013,839	38,591,596	1,577,757
Expenditures:				
Current:				
Certificated Salaries	14,734,729	14,734,729	15,224,859	(490,130)
Classified Salaries	3,708,911	3,708,911	4,636,528	(927,617)
Employee Benefits	7,777,266	7,777,266	10,352,547	(2,575,281)
Books And Supplies	2,754,351	2,754,351	2,001,532	752,819
Services And Other Operating Expenditures	4,925,137	4,925,137	4,199,206	725,931
Other Outgo	1,089,922	1,089,922	1,145,442	(55,520)
Capital Outlay	1,972,235	1,972,235	1,755,797	216,438
Debt Service:				
Principal	-	-	290,393	(290,393)
Interest	-	-	55,578	(55,578)
Total Expenditures	36,962,551	36,962,551	39,661,882	(2,699,331)
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,288	51,288	(1,070,286)	(1,121,574)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	51,288	51,288	(1,070,286)	(1,121,574)
Fund Balance, July 1	8,512,826	8,512,826	8,354,198	(158,628)
Fund Balance, June 30	$ 8,564,114	$ 8,564,114	$ 7,283,912	$ (1,280,202)

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STRS
LAST TEN FISCAL YEARS *

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.027%	0.030%	0.032%
District's proportionate share of the net pension liability (asset)	$ 21,699,537	$ 19,820,000	$ 18,284,000
State's proportionate share of the net pension liability (asset)	14,216,486	10,483,000	11,041,000
Total	$ 35,916,023	$ 30,303,000	$ 29,325,000
District's covered-employee payroll	$ 13,846,420	$ 14,288,000	$ 13,664,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	156.72%	138.72%	133.81%
Plan fiduciary net position as a percentage of the total pension liability	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 only the information for those years for which information is available.

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STRS
LAST TEN FISCAL YEARS *

	2017	2016	2015
Contractually required contribution	$ 1,050,626	$ 1,533,128	$ 1,213,395
Contributions in relation to the contractually required contribution	1,050,626	1,533,128	1,213,395
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 13,846,420	$ 14,288,000	$ 13,664,000
Contributions as a percentage of covered-employee payroll	7.59%	10.73%	8.88%

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

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PERS
LAST TEN FISCAL YEARS *

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.037%	0.036%	0.037%
District's proportionate share of the net pension liability (asset)	$ 7,255,909	$ 5,320,000	$ 4,168,000
District's covered-employee payroll	$ 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	150.83%	120.14%	104.33%
Plan fiduciary net position as a percentage of the total pension liability	73.92%	79.43%	79.40%

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

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PERS
LAST TEN FISCAL YEARS *

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

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, 2017

	General Fund	Deferred Maintenance Fund
ASSETS:		
Cash in County Treasury	$ 5,347,542	$ 9,034
Cash in Revolving Fund	5,000	-
Investments	-	-
Accounts Receivable	960,843	28
Due from Grantor Governments	286,256	-
Due from Other Funds	566,924	-
Total Assets	7,166,565	9,062
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,148,287	$ -
Due to Other Funds	4,779,003	-
Unearned Revenue	212,967	-
Total Liabilities	6,140,257	-
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	5,000	-
Restricted Fund Balances	533,405	-
Assigned Fund Balances	-	9,062
Unassigned:		
Reserve for Economic Uncertainty	487,903	-
Total Fund Balance	1,026,308	9,062
Total Liabilities and Fund Balances	$ 7,166,565	$ 9,062

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2017
$ 439,351	$ 479,130	$ 6,275,057
-	-	5,000
643,747	245,239	888,986
1,316	1,435	963,622
-	-	286,256
1,339,000	3,099,324	5,005,248
2,423,414	3,825,128	13,424,169
$ -	$ -	$ 1,148,287
-	-	4,779,003
-	-	212,967
-	-	6,140,257
-	-	5,000
-	-	533,405
-	3,825,128	3,834,190
2,423,414	-	2,911,317
2,423,414	3,825,128	7,283,912
$ 2,423,414	$ 3,825,128	$ 13,424,169

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Deferred Maintenance Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 23,870,897	$ -
Education Protection Account Funds	3,803,638	-
Local Sources	2,310,412	-
Federal Revenue	3,280,113	-
Other State Revenue	4,683,192	-
Other Local Revenue	633,415	208
Total Revenues	38,581,667	208
Expenditures:		
Current:		
Instruction	20,815,523	-
Instruction - Related Services	5,616,280	-
Pupil Services	2,594,891	-
Ancillary Services	27,425	-
Community Services	489,443	-
General Administration	2,609,059	-
Plant Services	4,259,551	2,500
Other Outgo	1,145,442	-
Capital Outlay	1,588,072	167,725
Debt Service:		
Principal	290,393	-
Interest	55,578	-
Total Expenditures	39,491,657	170,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	(909,990)	(170,017)
Net Change in Fund Balance	(909,990)	(170,017)
Fund Balance, July 1	1,936,298	179,079
Fund Balance, June 30	$ 1,026,308	$ 9,062

Special Reserve General Fund	Post Employment Benefits Fund	Totals June 30, 2017
$ -	$ -	$ 23,870,897
-	-	3,803,638
-	-	2,310,412
-	-	3,280,113
-	-	4,683,192
4,650	5,071	643,344
4,650	5,071	38,591,596
-	-	20,815,523
-	-	5,616,280
-	-	2,594,891
-	-	27,425
-	-	489,443
-	-	2,609,059
-	-	4,262,051
-	-	1,145,442
-	-	1,755,797
-	-	290,393
-	-	55,578
-	-	39,661,882
4,650	5,071	(1,070,286)
4,650	5,071	(1,070,286)
2,418,764	3,820,057	8,354,198
$ 2,423,414	$ 3,825,128	$ 7,283,912

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	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	$ 367,111	$ 998,199	$ 324,092	$ 1,689,402
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	636,258	-	1,097	637,355
Due from Other Funds	112,113	-	-	112,113
Stores Inventories	23,650	-	-	23,650
Prepaid Expenditures	117,995	-	-	117,995
Total Assets	1,258,127	998,199	1,034,690	3,291,016
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 28,672	$ -	$ 4,019	$ 32,691
Due to Other Funds	601,925	-	-	601,925
Unearned Revenue	1,142	-	-	1,142
Total Liabilities	631,739	-	4,019	635,758
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,000	-	-	1,000
Stores Inventories	23,650	-	-	23,650
Prepaid Items	117,994	-	-	117,994
Restricted Fund Balances	403,269	-	-	403,269
Assigned Fund Balances	80,475	998,199	1,030,671	2,109,345
Total Fund Balance	626,388	998,199	1,030,671	2,655,258
Total Liabilities and Fund Balances	$ 1,258,127	$ 998,199	$ 1,034,690	$ 3,291,016

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund: Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 2,566,896	$ -	$ -	$ 2,566,896
Other State Revenue	598,655	9,004	-	607,659
Other Local Revenue	114,445	911,754	334,385	1,360,584
Total Revenues	3,279,996	920,758	334,385	4,535,139
Expenditures:				
Current:				
Instruction	434,767	-	-	434,767
Instruction - Related Services	46,147	-	-	46,147
Pupil Services	2,729,595	-	-	2,729,595
General Administration	-	-	62	62
Plant Services	-	-	95,159	95,159
Capital Outlay	-	-	2,743,565	2,743,565
Debt Service:				
Principal	-	515,000	-	515,000
Interest	-	345,070	-	345,070
Total Expenditures	3,210,509	860,070	2,838,786	6,909,365
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,487	60,688	(2,504,401)	(2,374,226)
Other Financing Sources (Uses):				
Other Sources	-	272,053	-	272,053
Total Other Financing Sources (Uses)	-	272,053	-	272,053
Net Change in Fund Balance	69,487	332,741	(2,504,401)	(2,102,173)
Fund Balance, July 1	556,901	665,458	3,535,072	4,757,431
Fund Balance, June 30	$ 626,388	$ 998,199	$ 1,030,671	$ 2,655,258

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-3)
ASSETS:			
Cash in County Treasury	$ 216,279	$ 150,832	$ 367,111
Cash in Revolving Fund	-	1,000	1,000
Accounts Receivable	62,247	574,011	636,258
Due from Other Funds	74,732	37,381	112,113
Stores Inventories	-	23,650	23,650
Prepaid Expenditures	-	117,995	117,995
Total Assets	353,258	904,869	1,258,127
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 22,651	$ 6,021	$ 28,672
Due to Other Funds	237,397	364,528	601,925
Unearned Revenue	1,142	-	1,142
Total Liabilities	261,190	370,549	631,739
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	1,000	1,000
Stores Inventories	-	23,650	23,650
Prepaid Items	-	117,994	117,994
Restricted Fund Balances	11,593	391,676	403,269
Assigned Fund Balances	80,475	-	80,475
Total Fund Balance	92,068	534,320	626,388
Total Liabilities and Fund Balances	$ 353,258	$ 904,869	$ 1,258,127

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-4)
Revenues:			
Federal Revenue	$ -	$ 2,566,896	$ 2,566,896
Other State Revenue	459,480	139,175	598,655
Other Local Revenue	88,404	26,041	114,445
Total Revenues	547,884	2,732,112	3,279,996
Expenditures:			
Current:			
Instruction	434,767	-	434,767
Instruction - Related Services	46,147	-	46,147
Pupil Services	-	2,729,595	2,729,595
Total Expenditures	480,914	2,729,595	3,210,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,970	2,517	69,487
Net Change in Fund Balance	66,970	2,517	69,487
Fund Balance, July 1	25,098	531,803	556,901
Fund Balance, June 30	$ 92,068	$ 534,320	$ 626,388

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-7

CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 413,502	$ 459,480	$ 45,978
Other Local Revenue	-	88,404	88,404
Total Revenues	413,502	547,884	134,382
Expenditures:			
Current:			
Certificated Salaries	165,938	182,305	(16,367)
Classified Salaries	146,308	148,107	(1,799)
Employee Benefits	101,256	138,038	(36,782)
Books And Supplies	-	8,026	(8,026)
Services And Other Operating Expenditures	-	4,438	(4,438)
Total Expenditures	413,502	480,914	(67,412)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	66,970	66,970
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	66,970	66,970
Fund Balance, July 1	25,098	25,098	-
Fund Balance, June 30	$ 25,098	$ 92,068	$ 66,970

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-8

CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	$ 1,895,000	$ 2,566,896	$ 671,896
Other State Revenue	130,000	139,175	9,175
Other Local Revenue	7,000	26,041	19,041
Total Revenues	2,032,000	2,732,112	700,112
Expenditures:			
Current:			
Classified Salaries	680,900	707,567	(26,667)
Employee Benefits	352,873	426,707	(73,834)
Books And Supplies	958,149	1,489,628	(531,479)
Services And Other Operating Expenditures	30,000	105,693	(75,693)
Direct Support/Indirect Costs	10,078	-	10,078
Total Expenditures	2,032,000	2,729,595	(697,595)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,517	2,517
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	2,517	2,517
Fund Balance, July 1	144,097	531,803	387,706
Fund Balance, June 30	$ 144,097	$ 534,320	$ 390,223

ARVIN UNION SCHOOL DISTRICT **EXHIBIT C-9**

BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ -	$ 9,004	$ 9,004
Other Local Revenue	30,000	911,754	881,754
Total Revenues	30,000	920,758	890,758
Expenditures:			
Debt Service:			
Principal	-	515,000	(515,000)
Interest	-	345,070	(345,070)
Total Expenditures	-	860,070	(860,070)
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,000	60,688	30,688
Other Financing Sources (Uses):			
Other Sources	-	272,053	272,053
Total Other Financing Sources (Uses)	-	272,053	272,053
Net Change in Fund Balance	30,000	332,741	302,741
Fund Balance, July 1	-	665,458	665,458
Fund Balance, June 30	$ 30,000	$ 998,199	$ 968,199

ARVIN UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Capital Facilities Fund	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-3)
ASSETS:				
Cash in County Treasury	$ 323,920	$ 5	$ 167	$ 324,092
Cash on Hand and in Banks	65,755	-	-	65,755
Investments	-	-	643,746	643,746
Accounts Receivable	1,096	-	1	1,097
Total Assets	390,771	5	643,914	1,034,690
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 4,019	$ -	$ -	$ 4,019
Total Liabilities	4,019	-	-	4,019
Fund Balance:				
Assigned Fund Balances	386,752	5	643,914	1,030,671
Total Fund Balance	386,752	5	643,914	1,030,671
Total Liabilities and Fund Balances	$ 390,771	$ 5	$ 643,914	$ 1,034,690

ARVIN UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Facilities Fund	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-4)
Revenues:				
Other Local Revenue	$ 334,384	$ -	$ 1	$ 334,385
Total Revenues	334,384	-	1	334,385
Expenditures:				
Current:				
General Administration	62	-	-	62
Plant Services	95,159	-	-	95,159
Capital Outlay	2,743,565	-	-	2,743,565
Total Expenditures	2,838,786	-	-	2,838,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,504,402)	-	1	(2,504,401)
Net Change in Fund Balance	(2,504,402)	-	1	(2,504,401)
Fund Balance, July 1	2,891,154	5	643,913	3,535,072
Fund Balance, June 30	$ 386,752	$ 5	$ 643,914	$ 1,030,671

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-12

BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 55,429	$ 55,429
Total Revenues	-	55,429	55,429
Expenditures:			
Current:			
Books And Supplies	-	13,348	(13,348)
Services And Other Operating Expenditures	-	22,141	(22,141)
Capital Outlay	1,500,000	3,242,910	(1,742,910)
Total Expenditures	1,500,000	3,278,399	(1,778,399)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500,000)	(3,222,970)	(1,722,970)
Other Financing Sources (Uses):			
Other Sources	-	3,319,538	3,319,538
Total Other Financing Sources (Uses)	-	3,319,538	3,319,538
Net Change in Fund Balance	(1,500,000)	96,568	1,596,568
Fund Balance, July 1	3,020,428	3,020,429	1
Fund Balance, June 30	$ 1,520,428	$ 3,116,997	$ 1,596,569

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-13

CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 230,000	$ 334,384	$ 104,384
Total Revenues	230,000	334,384	104,384
Expenditures:			
Current:			
Services And Other Operating Expenditures	94,000	95,221	(1,221)
Capital Outlay	400,000	2,743,565	(2,343,565)
Total Expenditures	494,000	2,838,786	(2,344,786)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,000)	(2,504,402)	(2,240,402)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(264,000)	(2,504,402)	(2,240,402)
Fund Balance, July 1	3,704,139	2,891,154	(812,985)
Fund Balance, June 30	$ 3,440,139	$ 386,752	$ (3,053,387)

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-14

COUNTY SCHOOL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	$ -	$ -	$ -
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, July 1	5	5	-
Fund Balance, June 30	$ 5	$ 5	$ -

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-15

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 1	$ 1	$ -
Total Revenues	1	1	-
Expenditures:			
Capital Outlay	7,000	-	7,000
Total Expenditures	7,000	-	7,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,999)	1	7,000
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(6,999)	1	7,000
Fund Balance, July 1	600,107	643,913	43,806
Fund Balance, June 30	$ 593,108	$ 643,914	$ 50,806

ARVIN UNION SCHOOL DISTRICT

EXHIBIT C-16

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
STUDENT BODY ACTIVITIES				
ASSETS				
Cash and investments	$ 46,628	$ 86,104	$ 84,540	$ 48,192
Total Assets	$ 46,628	$ 86,104	$ 84,540	$ 48,192
LIABILITIES				
Due to student groups	$ 46,628	$ 86,104	$ 84,540	$ 48,192
Total Liabilities	$ 46,628	$ 86,104	$ 84,540	$ 48,192

The accompanying notes are an integral part of this statement.

This page is intentionally left blank.

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.

This page is intentionally left blank.

Supplementary Information Section

ARVIN UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2017

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, 2016. 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

Georgia Rhett
Assistant Superintendent

Chris Davis
Chief Business Official

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

	Second Period Report	Annual Report
TK/K-3:		
Regular ADA	1,383.36	1,383.96
Extended Year Special Education	2.01	1.95
TK/K-3 Totals	1,385.37	1,385.91
Grades 4-6:		
Regular ADA	987.25	990.51
Extended Year Special Education	1.23	1.20
Grades 4-6 Totals	988.48	991.71
Grades 7 and 8:		
Regular ADA	543.55	545.73
Extended Year Special Education	0.10	0.09
Grades 7 and 8 Totals	543.65	545.82
ADA Totals	2,917.50	2,923.44

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

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

ARVIN UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten	36,000	56,582	180	Complied
Kindergarten	36,000	56,582	180	Complied
Grade 1	50,400	54,812	180	Complied
Grade 2	50,400	54,812	180	Complied
Grade 3	50,400	54,812	180	Complied
Grade 4	54,000	54,812	180	Complied
Grade 5	54,000	54,812	180	Complied
Grade 6	54,000	54,812	180	Complied
Grade 7	54,000	59,084	180	Complied
Grade 8	54,000	59,084	180	Complied

The District did not offer a multitrack year-round calendar.

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, 2017

General Fund	Budget 2018 (see note 1)	2017	2016	2015
Revenues and other financial sources	$ 37,345,104	$ 38,591,596	$ 37,433,544	$ 34,100,586
Expenditures	37,464,210	39,661,882	36,804,750	34,543,504
Other uses and transfers out	-	-	-	-
Total outgo	37,464,210	39,661,882	36,804,750	34,543,504
Change in fund balance (deficit)	(119,106)	(1,070,286)	628,794	(442,918)
Ending fund balance	$ 7,252,420	$ 7,371,526	$ 8,354,198	$ 7,725,404
Available reserves (see note 2)	$ 1,153,515	$ 2,955,124	$ 1,104,143	$ 2,728,789
Available reserves as a percentage of total outgo	3.1%	7.5%	3.0%	7.9%
Total long-term debt	$ 60,050,276	$ 59,856,402	$ 51,909,450	$ 46,049,922
Average daily attendance at P-2	2,918	2,918	2,969	2,981

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 $353,878 (-4.6%) over the past two years. The fiscal year 2017-2018 budget projects a decrease of $119,106 (1.6%). 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 a deficit during the 2017-2018 fiscal year. Total long-term debt has increased by $13,806,480 over the past two years.

Average daily attendance has decreased by 63 over the past two years. During fiscal year 2017-2018, no change in average daily attendance is anticipated.

NOTES:

1 The budget for 2018 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, 2017

	General Fund	Cafeteria Fund
June 30, 2017, annual financial and budget report fund balances	$ 1,661,800	$ 178,717
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable	55,763	355,603
Accounts payable	(691,255)	-
Net adjustments and reclassifications	(635,492)	355,603
June 30, 2017, audited financial statement fund balances	$ 1,026,308	$ 534,320

	Deferred Maintenance Fund	Special Reserve Postemployment Benefits Fund
June 30, 2017, annual financial and budget report fund balances	$ 2,467,221	$ 3,868,935
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	(43,807)	(43,807)
Net adjustments and reclassifications	(43,807)	(43,807)
June 30, 2017, audited financial statement fund balances	$ 2,423,414	$ 3,825,128

	Maintenance Fund
June 30, 2017, annual financial and budget report fund balances	$ 600,108
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Investments	43,806
Net adjustments and reclassifications	43,806
June 30, 2017, audited financial statement fund balances	$ 643,914

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

ARVIN UNION SCHOOL DISTRICT

TABLE D-5

SCHEDULE OF CHARTER SCHOOLS AND OTHER INFORMATION
YEAR ENDED JUNE 30, 2017

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 Minimus Cost Rate
The District did not elect to use the 10% de minimus 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, 2017

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	$ -	$ 674,037
National School Lunch Program	10.555	13523,13524	-	1,554,598
Total Passed Through California Department of Education (CDE)			-	2,228,635
Total U. S. Department of Agriculture			-	2,228,635
Total Child Nutrition Cluster			-	2,228,635
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through County Office of Education:				
Medical Assistance Program (Billing Option)	93.778	10013	-	30,264
Total U. S. Department of Health and Human Services			-	30,264
Total Medicaid Cluster			-	30,264
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	-	471,285
Special Ed: IDEA Preschool Local Entitlement	84.027	13682	-	45,269
Special Education - Preschool Grants	84.173	13430	-	10,973
Total Passed Through California Department of Education (CDE)			-	527,527
Total U. S. Department of Education			-	527,527
Total Special Education (IDEA) Cluster			-	527,527
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through California Department of Education (CDE):				
Title I Grants to Local Educational Agencies	84.010	14329	-	1,484,436
Migrant Education - State Grant Program - Regular	84.011	14326	-	790,661
Even Start - Migrant Education (MEES)	84.214	10030	-	79,202
English Language Acquisition Grants	84.365	10084	-	197,563
English Language Acquisition Grants	84.365	14346	-	10,563
Improving Teacher Quality State Grants	84.367	14341	-	159,897
Total Passed Through California Department of Education (CDE)			-	2,722,322
Total U. S. Department of Education			-	2,722,322
U. S. Department of Agriculture				
Passed Through California Department of Education (CDE):				
Child and Adult Care Food Program	10.558	13393	$ -	$ 261,311

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Fresh Fruit and Vegetable Program	10.582	14968	$ -	$ 76,950
Total Passed Through California Department of Education (CDE)			-	338,261
Total U. S. Department of Agriculture			-	338,261
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 5,847,009

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, 2017

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 minimus 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, 2017.

Other Independent Auditor's Reports

Linger, Peterson & Shrum
Certified Public Accountants
575 East Locust Avenue, 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, 2017, 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 15, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 15, 2017

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, 2017. 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, 2017.

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 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 15, 2017

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

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 *2016-17 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, 2017.

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, *2016-17 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, *2016-17 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	Yes
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
Mental Health Expenditures	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	N/A
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
Immunizations	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Basis for Qualified Opinion on State Compliance

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

Finding No.	Compliance Requirement
2017-004	Classroom Teacher Salaries

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

Unmodified Opinion on Each of the Other State Programs

In our opinion, Arvin Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above, for each of its other State Programs identified in the Auditor's Responsibility section, for the year ended June 30, 2017

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 2016-17 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 15, 2017

Findings and Recommendations Section

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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?	X	Yes	____	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
10.553, 10.555	Child Nutrition 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".

2017-001 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 material weakness.

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.

2017-002 Internal Control [30000] Reimbursement to the Haven Drive Middle School Student Body Fund

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

For the year ended June 30, 2016, Finding 2016-004 was not implemented. The General Fund should reimburse the Haven Drive Middle School Student Body Fund for inappropriate expenditures in the amount of $1,216. The student body was not reimbursed until October 6, 2017 when the prior year finding was reviewed for compliance.

Questioned Costs

The questioned costs related to this finding were $1,216, however, the student body fund was reimbursed on October 6, 2017.

Perspective

	Prior Year Inappropriate Expenditures	
	Quantity	$ Amount
Population	164	79,593
Sample Size	12	19,041
Findings	1	1,216

Effect

Student body funds were used to pay for expenditures which the District should have paid for, thereby depleting the student body account inappropriately.

Cause

The authorization and approval procedure for student body purchases, in accordance with established guidelines, was not followed.

Recommendation

All purchases should be approved in advance by individuals with the authority to approve as well as the knowledge to recognize appropriate expenditures for the student body funds to pay. These individuals should be trained to recognize prohibited purchases and should be provided with a list of prohibited purchases. The General Fund should reimburse the Haven Drive Student Body Fund $1,216 for the questioned costs.

Views of Responsible Officials and Planned Corrective Actions

The Chief Business Official for the District will review all check requests and prevent inappropriate expenditures in the future. The General Fund reimbursed the Haven Drive Student Body Fund $1,216 for the questioned costs on October 6, 2017.

2017-003 Miscellaneous [60000] GASB 45 Actuarial Valuation

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

Employers that participate in defined benefit other post-employment benefit (OPEB) plans, are required to measure and disclose an amount for OPEB liability and cost. Annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under or over contributions. OPEB expenditures should be recognized on a modified accrual basis in governmental fund financial statements. For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership of 200 or more, or at least triennially for plans with a total membership of fewer than 200.

Condition

The District's management did not obtain an actuarial report per GASB 45 reporting requirements.

Questioned Costs

There were no questioned costs related to this finding.

Perspective

The District contracted with an actuarial firm, however, the actuarial report was not completed and available as of December 15, 2017, when this audit report was due.

Effect

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

Cause

The District's management contracted with an actuarial firm several months ago, and supplied the required information, but has not received the completed actuarial report.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The Administration understands the GASB 45 requirements for an actuarial valuation, and supplied the required information to the actuary several months ago.

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.

2017-004 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 54.65%.

Questioned Costs

The questioned cost is the deficiency amount of $1,704,866.51.

Perspective

Minimum percentage required		60.00 %
Percentage spent by this District		54.65
Percentage below the minimum		5.35 %
District's current expense of education after reductions	$ 31,866,663.72	
Deficiency amount	$ 1,704,866.51	

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 $1,704,866.51. The District may be required to add the deficient amount of $1,704,866.51 to the amounts to be expended for salaries of classroom teachers during 2017-2018. This finding is a repeat finding for this program and has been reported previously for June 30, 2016. (Finding 2016-005)

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" and received the approval for the waiver on December 6, 2017. 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, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2016-001 There were insufficient numbers of employees to adequately separate duties in the Student Body Fund. Such separation of duties would enhance internal control. We recommend that duties be segregated as much as possible in order to enhance internal controls.	Not Implemented	See current year Finding 2017-001
2016-002 Miscellaneous cash receipts in the General Fund Clearing Account were not being transferred into the County Treasury on a consistent basis, and there was no documentation of the balance remaining in the account in any given month. These receipts should be deposited at least monthly, and the District should continually maintain documentation of the items that comprise the account balance.	Implemented	
2016-003 The General Fund Clearing Account was not reconciled in writing to the bank statements on a timely basis, and no written reconciliations were presented for audit. The General Fund Clearing Account should be reconciled monthly, in writing, and reconciliations should be filed with the bank statements.	Implemented	
2016-004 Four out of twelve randomly selected expenditures tested in the Haven Drive Middle School Student Body Fund were for inappropriate expenditures. All purchases should be approved in advance by individuals with the authority to approve as well as the knowledge to recognize inappropriate expenditures for the student body to pay.	Implemented	
2016-005 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 60%, but it was only 52.65%. The District should apply for an Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries.	Not Implemented	See current year Finding 2017-003