

ARVIN UNION SCHOOL DISTRICT

KERN COUNTY

ARVIN, CALIFORNIA

JUNE 30, 2016

AUDIT REPORT

PREPARED BY

**LINGER, PETERSON & SHRUM
CERTIFIED PUBLIC ACCOUNTANTS**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Arvin Union School District
Arvin, California:

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 Arvin Union School District as of and for the year ended June 30, 2016, 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 entity'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 the Arvin Union School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Net Pension Liability and Schedule of Pension Contributions on Pages 6 - 13, and 77 - 81 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 introductory section, the Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Funds, the Schedule of Funding Progress--Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining General Fund financial statements and the combining and individual nonmajor fund financial statements 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. The accompanying 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* (Uniform Guidance), and is also not a required part of the basic financial statements of the Arvin Union School District. The Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Funds, the Schedule of Funding Progress -- Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, the schedule of average daily attendance, the schedule of instructional time, and the schedule of expenditures of federal awards have 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 Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Funds, the Schedule of Funding Progress -- Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, the schedule of average daily attendance, the schedule of instructional time, 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the Arvin Union School District's internal control over financial reporting and on 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 or on compliance, 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.

Linger, Peterson & Shrum

December 7, 2016
Fresno, California

DR. MICHELLE McLEAN
DISTRICT SUPERINTENDENT

GEORGIA RHETT
ASSISTANT SUPERINTENDENT

ARVIN UNION SCHOOL DISTRICT

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



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ARVIN UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

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, 2016.

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 \$42,009,876, expenditures were \$43,013,812, and net other sources/(uses) were \$2,375,135 which resulted in an increase in fund balance of \$1,371,199.

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:

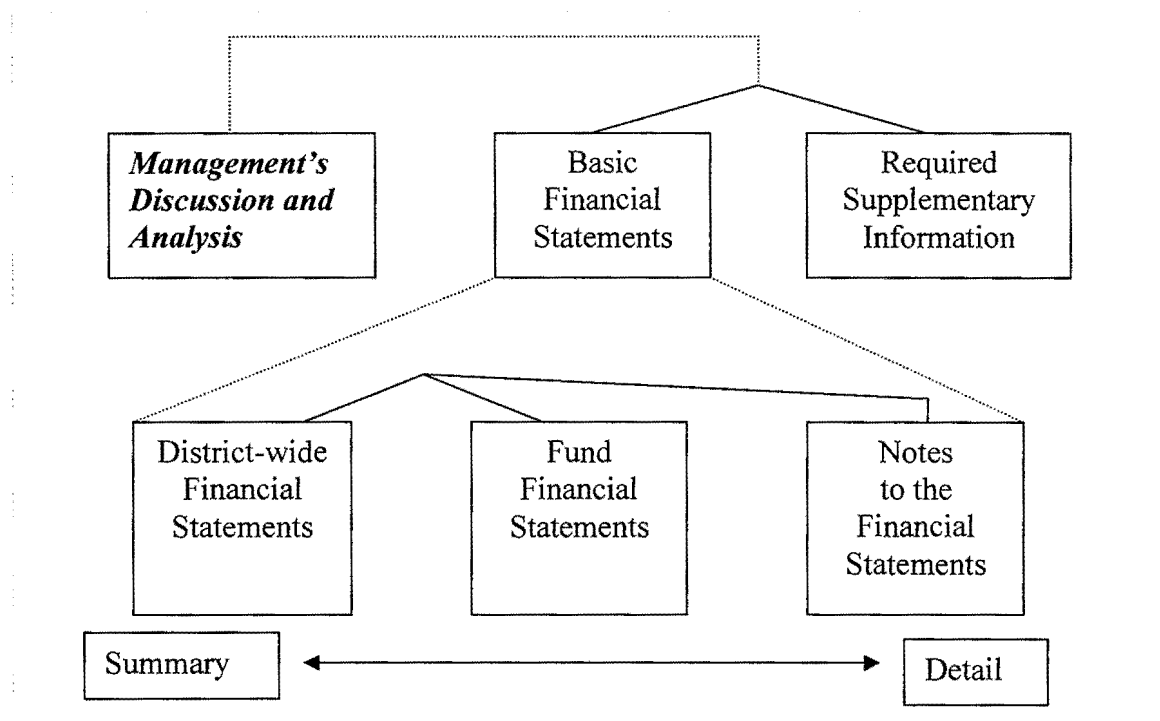


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- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual 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.

Figure A-1. Organization of Arvin Union School District's Annual Financial Report



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 (\$4,678,447) at June 30, 2016 which is an increase of \$1,617,181 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, 2016.

Table A-1 Arvin Union School District Net Position June 30, 2016 and 2015			
	Governmental Activities		Percentage
	2016	2015	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 18,481,609	\$ 15,780,095	17.12%
Capital Assets	<u>31,531,907</u>	<u>29,238,068</u>	7.85
Total Assets	<u>\$ 50,013,516</u>	<u>\$ 45,018,163</u>	11.10
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,057,739</u>	<u>\$ 1,683,689</u>	22.22
LIABILITIES			
Long-Term Liabilities	\$ 51,909,450	\$ 46,049,922	12.72
Other Liabilities	<u>2,384,252</u>	<u>1,013,558</u>	135.24
Total Liabilities	<u>\$ 54,293,702</u>	<u>\$ 47,063,480</u>	15.36
DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,456,000</u>	<u>\$ 5,934,000</u>	- 58.61
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 13,615,859	\$ 13,514,550	0.75
Restricted	7,942,032	7,436,468	6.80
Unrestricted	<u>(26,236,338)</u>	<u>(27,246,646)</u>	- 3.71
Total Net Position	<u>(\$ 4,678,447)</u>	<u>(\$ 6,295,628)</u>	- 25.69

Changes in Net Position

Table A-2 identifies the net position beginning balance, the revenues and expenses for 2015-16, 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, 2016 and 2015

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Percentage Increase (Decrease)</u>
Revenues			
Program Revenues			
Charges for services	\$ 11,874	\$ 92,513	- 87.17%
Operating grants and contributions	10,163,902	10,376,151	- 2.05
General Revenues			
Property taxes	3,393,567	2,781,192	22.02
Federal and state aid not restricted to specific purposes	27,440,705	22,690,322	20.94
Other	<u>1,184,831</u>	<u>1,523,862</u>	- 22.25
Total Revenues	<u>42,194,879</u>	<u>37,464,040</u>	12.63
Expenses			
Program Expenses			
Instruction	22,614,262	21,975,162	2.91
Instruction-related services	2,458,308	1,603,356	53.32
School site administration	1,928,532	1,835,580	5.06
Pupil services	5,027,339	4,719,340	6.53
General administration	1,910,270	2,095,079	- 8.82
Plant services	4,157,230	3,441,529	20.80
Ancillary and community services	531,121	492,736	7.79
Other outgo	<u>1,950,636</u>	<u>2,086,644</u>	- 6.52
Total Expenses	<u>40,577,698</u>	<u>38,249,426</u>	6.09
Changes in Net Position	1,617,181	(785,386)	- 305.91
Net Position, Beginning Balance	(<u>6,295,628</u>)	(<u>5,510,242</u>)	14.25
Net Position, Ending Balance	<u>(\$ 4,678,447)</u>	<u>(\$ 6,295,628)</u>	- 25.69

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, 2016		June 30, 2015	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Instruction	\$ 22,614,262	\$ 18,207,548	\$ 21,975,162	\$ 17,357,618
Instruction-Related Services	4,386,840	2,837,936	3,438,936	2,241,228
Pupil Services	5,027,339	1,783,144	4,719,340	1,186,109
General Administration	1,910,270	1,831,883	2,095,079	1,822,149
Plant Services	4,157,230	4,088,266	3,441,529	3,424,672
Ancillary and Community Services	531,121	243,371	492,736	203,484
Other Outgo	<u>1,950,636</u>	<u>1,409,774</u>	<u>2,086,644</u>	<u>1,545,502</u>
Totals	<u>\$ 40,577,698</u>	<u>\$ 30,401,922</u>	<u>\$ 38,249,426</u>	<u>\$ 27,780,762</u>

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 \$16,132,058. 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 \$31,531,907.

Table A-4 Arvin Union School District Capital Assets - Governmental Activities			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 1,462,548	\$ 1,462,548	\$ -
Buildings and Improvements	39,516,468	36,963,119	2,553,349
Equipment	3,957,077	3,814,242	142,835
Work in Progress	481,058	-	481,058
Less Accumulated Depreciation	(13,885,244)	(13,001,841)	(883,403)
Totals	<u>\$ 31,531,907</u>	<u>\$ 29,238,068</u>	<u>\$ 2,293,839</u>

Long-Term Debt

The District increased its long-term debt by \$3,171,528 in 2015-16, compared to the 2014-15 balance. At year-end, the District had \$51,909,450 in long-term debt, as shown in Table A-5.

Table A-5 Arvin Union School District Long-Term Debt - Governmental Activities			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
General Obligation Bonds Payable	\$ 11,769,223	\$ 12,039,223	(\$ 270,000)
Accreted Interest on General Obligation Bonds	<u>2,626,956</u>	<u>2,223,767</u>	<u>403,189</u>
	14,396,179	14,262,990	133,189
Compensated Absences Payable	358,136	409,794	(51,658)
Contract Payable	1,110,033	1,466,206	(356,173)
Capital Leases Payable	2,375,135	-	2,375,135
Early Retirement Incentives			
CalSTRS	310,864	527,341	(216,477)
CalPERS and Other	130,227	199,222	(68,995)
Other Postemployment Benefits Payable	8,088,876	6,732,369	1,356,507
Net Pension Liability	<u>25,140,000</u>	<u>22,452,000</u>	<u>2,688,000</u>
Totals	<u>\$ 51,909,450</u>	<u>\$ 46,049,922</u>	<u>\$ 5,859,528</u>

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.

* * *

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
Assets	
Cash in county treasury	\$ 13,407,275
Cash on hand and in banks	1,302,664
Cash in revolving fund	6,000
Investments with fiscal agent	1,532,733
Accounts receivable	2,073,670
Stores inventories	
Supplies	2,831
Food	20,819
Prepaid expenditures	135,617
Land	1,462,548
Work in progress	481,058
Buildings	38,099,923
Improvement of sites	1,416,545
Equipment	3,957,077
Accumulated depreciation	<u>(13,885,244)</u>
 Total Assets	 <u>\$ 50,013,516</u>
 Deferred Outflows of Resources	
Deferred outflows of resources	<u>\$ 2,057,739</u>
 Liabilities	
Accounts payable	\$ 2,330,202
Accrued interest payable	52,323
Unearned revenue	1,727
Long-term liabilities	
Due within one year	
General obligation bonds payable	515,000
Other post-employment benefits payable	1,058,436
Capital leases payable	290,392
Other general long-term debt	363,004
Early retirement incentives payable	149,934
Due after one year	
General obligation bonds payable	11,254,223
Accreted interest	2,626,956
Net pension liability	25,140,000
Other post-employment benefits payable	7,030,440
Compensated absences payable	358,136
Capital leases payable	2,084,743
Other general long-term debt	747,029
Early retirement incentives payable	<u>291,157</u>
 Total Liabilities	 <u>\$ 54,293,702</u>
 Deferred Inflows of Resources	
Deferred inflows of resources	<u>\$ 2,456,000</u>
 Net Position	
Net investment in capital assets	\$ 13,615,859
Restricted for:	
Capital projects, net of related debt	6,555,501
Debt services	665,458
Legally restricted balances	721,073
Unrestricted	<u>(26,236,338)</u>
 Total Net Position	 <u>\$ (4,678,447)</u>

**ARVIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 22,614,262	\$ -	\$ 4,406,714	\$ -	\$ (18,207,548)
Instruction-related services					
Supervision of instruction	1,424,272	-	920,783	-	(503,489)
Instructional library, media, and technology	1,034,036	-	103,681	-	(930,355)
School site administration	1,928,532	-	524,440	-	(1,404,092)
Pupil services					
Home-to-school transportation	366,828	-	-	-	(366,828)
Food services	2,805,920	11,874	2,584,397	-	(209,649)
All other pupil services	1,854,591	-	647,924	-	(1,206,667)
General administration					
All other general administration	1,909,676	-	78,387	-	(1,831,289)
Data processing	594	-	-	-	(594)
Ancillary services	59,779	-	1,111	-	(58,668)
Community services	471,342	-	286,639	-	(184,703)
Plant services	4,157,230	-	68,964	-	(4,088,266)
Other outgo	1,197,326	-	540,862	-	(656,464)
Interest on long-term debt	753,310	-	-	-	(753,310)
Total Governmental Activities	<u>\$ 40,577,698</u>	<u>\$ 11,874</u>	<u>\$ 10,163,902</u>	<u>\$ -</u>	<u>(30,401,922)</u>
Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
General Revenues					
Taxes and subventions					
Taxes levied for general purposes					2,709,965
Taxes levied for debt service					625,756
Taxes levied for specific purposes					57,846
Federal and state aid not restricted to specific purposes					27,440,705
Interest and investment earnings					103,698
Miscellaneous					1,081,133
Total General Revenues and Special and Extraordinary Items					<u>32,019,103</u>
Changes in Net Position					1,617,181
Net Position, Beginning					<u>(6,295,628)</u>
Net Position, Ending					<u>\$ (4,678,447)</u>

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Building Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in county treasury	\$ 6,672,062	\$ 2,751,092	\$ 2,842,255	\$ 1,141,866	\$ 13,407,275
Cash on hand and in banks	1,160,705	-	65,755	76,204	1,302,664
Cash in revolving fund	5,000	-	-	1,000	6,000
Investments with fiscal agent	888,986	-	-	643,747	1,532,733
Accounts receivable	1,708,352	5,770	5,955	353,593	2,073,670
Due from other funds	544,925	263,567	-	112,113	920,605
Stores inventories	-	-	-	-	-
Supplies	-	-	-	2,831	2,831
Food	-	-	-	20,819	20,819
Prepaid expenditures	-	-	-	117,995	117,995
Total Assets	<u>\$ 10,980,030</u>	<u>\$ 3,020,429</u>	<u>\$ 2,913,965</u>	<u>\$ 2,470,168</u>	<u>\$ 19,384,592</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,284,567	\$ -	\$ 22,811	\$ 22,824	\$ 2,330,202
Due to other funds	340,680	-	-	579,925	920,605
Unearned revenue	585	-	-	1,142	1,727
Total Liabilities	<u>2,625,832</u>	<u>-</u>	<u>22,811</u>	<u>603,891</u>	<u>3,252,534</u>
Fund Balances					
Nonspendable					
Revolving fund	5,000	-	-	1,000	6,000
Stores inventories	-	-	-	23,650	23,650
Prepaid expenditures	-	-	-	117,995	117,995
Restricted					
Debt services	-	-	-	665,458	665,458
Legally restricted balances	683,361	-	-	37,712	721,073
Committed					
Other Commitments	-	3,020,429	-	-	3,020,429
Assigned					
Other assignments	6,561,694	-	2,891,154	669,016	10,121,864
Unassigned					
Reserve for economic uncertainties	1,104,143	-	-	-	1,104,143
Unassigned	-	-	-	351,446	351,446
Total Fund Balances	<u>8,354,198</u>	<u>3,020,429</u>	<u>2,891,154</u>	<u>1,866,277</u>	<u>16,132,058</u>
Total Liabilities and Fund Balances	<u>\$ 10,980,030</u>	<u>\$ 3,020,429</u>	<u>\$ 2,913,965</u>	<u>\$ 2,470,168</u>	<u>\$ 19,384,592</u>

**ARVIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds \$ 16,132,058

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital Assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost	\$	45,417,151
Accumulated depreciation		13,885,244

Net		31,531,907
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Unamortized Costs: In governmental 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. Unamortized debt insurance costs included in prepaid expense on the statement of net position were:

17,622

Unmatured Interest on Long-Term Debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(52,323)

Long-Term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$	11,769,223
Accreted interest		2,626,956
Other post-employment benefits payable		8,088,876
Net pension liability		25,140,000
Compensated absences payable		358,136
Capital leases payable		2,375,135
Early Retirement Incentives-STRS		310,864
Early Retirement Incentives-PERS		43,870
Early Retirement Incentives-PARS		48,357
Early Retirement Incentives-Other		38,000
Contract Payable		1,110,033

(51,909,450)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported: Deferred outflows of resources relating to pensions

2,057,739

Deferred inflows of resources relating to pensions

(2,456,000)

Total Net Position--Governmental Activities	\$	<u>(4,678,447)</u>
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ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Building Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources					
State apportionments	\$ 25,738,726	\$ -	\$ -	\$ -	\$ 25,738,726
Local sources	2,241,670	-	-	-	2,241,670
Total Local Control Funding Formula	27,980,396	-	-	-	27,980,396
Federal revenue	\$ 3,374,792	\$ -	\$ -	\$ 2,427,391	\$ 5,802,183
Other state revenue	3,945,129	-	-	595,275	4,540,404
Other local revenue	2,133,227	20,113	836,927	696,626	3,686,893
Total Revenues	37,433,544	20,113	836,927	3,719,292	42,009,876
Expenditures					
Instruction	21,342,244	-	-	404,416	21,746,660
Supervision of instruction	1,475,902	-	-	362	1,476,264
Instructional library, media, and technology	1,080,491	-	-	-	1,080,491
School site administration	1,828,118	-	-	51,071	1,879,189
Home-to-school transportation	258,820	-	-	-	258,820
Food services	17,160	-	-	2,701,638	2,718,798
All other pupil services	1,877,963	-	-	-	1,877,963
Ancillary services	60,702	-	-	-	60,702
Community services	489,004	-	-	-	489,004
All other general administration	2,173,170	-	7,305	-	2,180,475
Data processing	39	-	-	-	39
Plant services	4,085,649	-	40,220	-	4,125,869
Facility acquisition and construction	535,171	-	75,991	2,375,135	2,986,297
Other outgo	1,196,023	-	-	-	1,196,023
Debt Service					
Principal retirement	356,173	-	-	270,000	626,173
Interest on long-term debt	28,121	-	-	282,924	311,045
Total Expenditures	36,804,750	-	123,516	6,085,546	43,013,812
Excess (Deficiency) of Revenues Over Expenditures	628,794	20,113	713,411	(2,366,254)	(1,003,936)
Other Financing Sources (Uses)					
Proceeds from capital leases	-	-	-	2,375,135	2,375,135
Total Other Financing Sources (Uses)	-	-	-	2,375,135	2,375,135
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	628,794	20,113	713,411	8,881	1,371,199
Fund Balances, July 1, 2015	7,725,404	3,000,316	2,177,743	1,857,396	14,760,859
Fund Balances, June 30, 2016	\$ 8,354,198	\$ 3,020,429	\$ 2,891,154	\$ 1,866,277	\$ 16,132,058

See notes to the basic financial statements.

**ARVIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$ 1,371,199
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:

Expenditures for capital outlay	\$	3,191,636	
Depreciation expense		<u>897,797</u>	
Net			2,293,839

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,279,331

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases in liabilities. Amounts recognized in governmental funds as proceeds from debt were:

(2,375,135)

Debt issue costs for prepaid debt insurance: In governmental 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 and debt issue costs amortized for the period was:

Prepaid debt insurance incurred during the period	-		
Prepaid debt insurance amortized for the period		<u>1,303</u>	
Net			(1,303)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:

(442,265)

**ARVIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Compensated absences: In the governmentetal funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	51,658
Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. Typical examples, in addition to compensated absences and interest on long-term debt, are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period: Expenditures relating to prior periods (described below) were:	
Early retirement incentives	224,096
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	1,164,050
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(2,009,665)
Other liabilities not normally liquidated with current financial resources. In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	61,376
Changes in Net Position of Governmental Activities	<u>\$ 1,617,181</u>

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY
NET POSITION--FIDUCIARY FUND
JUNE 30, 2016

	Agency Fund <hr/> Student Body Funds <hr/>
Assets	
Cash on hand and in banks	\$ 46,628
Liabilities	
Due to student groups	\$ 46,628
Net Position	
Unassigned	\$ -

See notes to the basic financial statements.

**ARVIN UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2016**

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>
Student Body Funds				
 Assets				
 Cash on hand and in banks	<u>\$ 44,770</u>	<u>\$ 131,294</u>	<u>\$ 129,436</u>	<u>\$ 46,628</u>
 Liabilities				
 Due to student groups	<u>\$ 44,770</u>	<u>\$ 131,294</u>	<u>\$ 129,436</u>	<u>\$ 46,628</u>

See notes to the basic financial statements.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

The Arvin Union School District (the "District") was established in about 1913. The District is currently operating one state preschool, three elementary schools, and one intermediate school.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own 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.

Based on the aforementioned criteria, the District has no component units.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

activities of the District. Fiduciary Funds are excluded from the government-wide financial statements. All of the District's activities were governmental activities. The District had no business-type activities for the fiscal year ended June 30, 2016. The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing or the measurement made, regardless of the measurement focus applied.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Government-wide financial statements are reported using the economic resources measurement and the accrual basis of accounting, as are the fiduciary fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

"Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund. The General Fund, reported in these financial statements, includes four Funds maintained by the District: The General Fund (Fund 01), the Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other Than Capital Outlay (Fund 17), and the Special Reserve Fund for Postemployment Benefits (Fund 20). Although Funds 14, 17 and 20 are separate funds authorized in the Education Code, they do not meet the definition of a Special Revenue Fund under accounting principles generally accepted in the United States of America, and have therefore been combined into the General Fund for financial reporting purposes.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The District maintains the following Nonmajor Special Revenue Funds:

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

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

Debt Service Funds are used to account for all financial resources that are restricted, committed or assigned to expenditure for principal and interest. The District maintains the following Nonmajor Debt Service Funds:

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.

Capital Projects Funds are used to account for all financial resources that are restricted, committed or assigned to expenditure for capital outlays. The District maintains the following Nonmajor Capital Projects Funds:

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.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an Agency Fund for the student body accounts, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government 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. The original and final revised budgets are presented for all major funds in the financial statements.

Formal budgetary integration was employed 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 account.

F. 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 on June 30.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

G. Financial Statement Amounts

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the 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. 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.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. 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 valuation of the cafeteria inventory is at cost, determined on a first-in, first-out (FIFO) basis.

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, except for commodity processing charges which are expensed when used. On the government-wide statements, unamortized bond insurance is reported as prepaid expenditures.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the lives of the assets are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Examples</u>	<u>Estimated Useful Life in Years</u>
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning 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 and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay, plus related payroll taxes, is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are reported as other financing sources in the period the bonds are issued. Bond discounts, as well as issuance costs (except bond insurance), are reported as other financing uses in the period the bonds are issued. Bond insurance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond insurance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

8. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

9. Governmental Activities Net Position (Government-Wide)

Governmental activities net position is divided into three components:

- Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted - consist of net position balances that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position balances are reported in this category.

10. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Board resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Board for a particular purpose.
- **Unassigned** - All amounts not included in other spendable classifications.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Restricted balances at June 30, 2016 are as follows:

AVID Scholarship Program	\$ 27,615
California Clean Energy Jobs Act (Prop 39)	130,000
Child Nutrition: School Programs	37,712
Educator Effectiveness	249,845
Harvest Festival Donations	850
Local Donations-undesignated	50,034
Medical Assistance Program (Billing Option)	223,002
SAS County of Kern Stipend	<u>2,015</u>
Totals	<u><u>\$ 721,073</u></u>

11. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

12. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. 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/expenses. Reimbursements are 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 between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

13. Local Control Funding Formula (LCFF) Allocation/Property Tax

The District's LCFF allocation is received from a combination of local property taxes and state apportionments. The new funding formula replaces the old system of

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

“revenue-limits” -- general purpose funding from the state, which was based on complex historical formulas and made up approximately 70% of a district’s budget -- with a per-student base grant that varies by grade span.

The transition to the new formula began with the 2013-14 school year, but full implementation of the new funding formula is slated to take eight years. Although the majority of school districts will receive more funding under the new formula, districts that were already receiving more funding than what they would get under LCFF are protected by a provision specifying that no district will receive less state aid than it received in 2012-13.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of each January 1st, the lien date for both secured and unsecured property. Property taxes on the secured roll are due in two installments on November 1st and February 1st following the lien date, and become delinquent if not paid by December 10th and April 10th, respectively. Both installments of taxes due on the secured roll may be paid by December 10th, at the option of each property owner. Property taxes on the unsecured roll are due on the lien date and become delinquent if not paid by August 31st following the lien date.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - - approximately October 1st of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's LCFF allocation by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's LCFF allocation is the amount of general purpose tax revenue, per average daily attendance (ADA) by grade span, that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's base allocation. In addition, there is supplemental funding for certain student subgroups, concentration funding and other add-ons.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

14. Impact of Recently Issued Accounting Principles

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes standards of accounting and financial reporting for disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. It is effective for periods beginning after June 15, 2015. The District adopted GASB 72 in the fiscal year ended June 30, 2016.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement 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*. It is effective for periods beginning after June 15, 2015 – except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The District adopted those portions of GASB 73 which were effective in the fiscal year ended June 30, 2016, and management is currently evaluating the impact of those portions which are not yet effective on the District's financial statements.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 applies to OPEB plans, and basically parallels GASB 67 and replaces GASB 43. It is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB plans to their employees, and basically parallels GASB 68 and replaces GASB 45. It is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB 78 amends the scope and applicability of GASB 68 to exclude certain pensions provided to employees of state or local governmental employers through cost-sharing multiple-employer defined benefit pension plans and establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

information. It is effective for periods beginning after December 15, 2015.

Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 establishes additional note disclosure requirements for certain qualifying external investment pools. It is effective for periods beginning after June 15, 2015. The District adopted GASB 79 in the fiscal year ended June 30, 2016.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. It is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB 82 clarifies that payments 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 GASB 67 and as employee contributions for purposes of GASB 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 classified similar compensation other than pensions. It is effective for periods beginning after June 15, 2016.

Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Governmental Funds:	
Deposits	
Cash on hand and in banks	\$ 1,308,664
Pooled Funds	
Cash in county treasury	13,407,275
Held by Trustee (Self-Insured Schools of California)	
Corporate bonds	265,929
Federal Agency obligations	273,899
Mortgage passthrough	743,989
U.S. Treasury notes	206,766
Money Market Fund	42,150
	<hr/>
Total Governmental Funds	16,248,672
Fiduciary Funds:	
Cash on hand and in banks	46,628
	<hr/>
District Totals	\$ 16,295,300
	<hr/> <hr/>

A. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of a common investment pool (\$13,407,275 as of June 30, 2016). The fair market value of this investment pool as of that date, as provided by the pool sponsor, was \$13,407,275. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by Government Code Section 53635, pursuant to Section 53601, to invest 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.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

B. Investments

1. Investments Authorized by the California Government Code and the District's Investment Policy

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

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

2. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The schedule below identifies the investment types that are authorized for investments held by bond trustees. The schedule also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

3. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool Held by Trustee (Self-Insured Schools of California)	\$ 13,407,275	\$ 13,407,275	\$ -	\$ -	\$ -
Corporate bonds	265,929	131,265	78,889	55,775	-
Federal Agency obligations	273,899	136,233	50,814	86,852	-
Mortgage passthrough	743,989	46,369	320,252	377,368	-
U.S. Treasury notes	206,766	33,485	60,599	83,645	29,037
Money Market Fund	42,150	42,150	-	-	-
Totals	\$ 14,940,008	\$ 13,796,777	\$ 510,554	\$ 603,640	\$ 29,037

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

4. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			Not Rated
				AAA	AA	A	
County Investment Pool	\$13,407,275	N/A	\$ -	\$ -	\$ -	\$ -	\$13,407,275
Held by Trustee (Self- Insured Schools of California)							
Corporate bonds	265,929	N/A	-	17,717	108,505	139,707	-
Federal Agency obligations	273,899	N/A	-	273,899	-	-	-
Mortgage passthrough	743,989	N/A	-	743,989	-	-	-
U.S. Treasury notes	206,766	N/A	-	206,766	-	-	-
Money Market Fund	42,150	N/A	-	-	-	-	42,150
Totals	<u>\$14,940,008</u>		<u>\$ -</u>	<u>\$1,242,371</u>	<u>\$108,505</u>	<u>\$139,707</u>	<u>\$13,449,425</u>

5. Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's investments are valued using quoted market prices (Level 1 inputs). Further, the District holds a position in an external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2016, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Certificated salaries	\$ 154,807
Classified salaries	486,120
Employee benefits	1,363,148
Services and other operating expenditures	495,803
Payments to County Office of Education	96,023
Direct support/indirect costs - Interfund	10,078
Child Development Fund:	
Certificated salaries	4,227
Classified salaries	5,948
Employee benefits	10,623
Cafeteria Fund:	
Classified salaries	53,502
Employee benefits	63,302
Books and supplies	541,991
Services and other operating expenditures	45,047
Bond Interest and Redemption Fund:	
Principal retirement	270,000
Interest and fiscal charges	282,924
Bond Interest and Redemption Fund:	
Services and other operating expenditures	17,216

The excesses in the Bond Interest and Redemption Fund and the Building Fund were due to the fact no expenditures for these funds were included in the adopted budget. The other excesses were due to unanticipated expenditures.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>All Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
Federal Government					
Federal Programs	\$ 1,194,944	\$ -	\$ -	\$ 326,377	\$ 1,521,321
State Government					
Categorical Aid Programs	142,467	-	-	25,069	167,536
Lottery	209,211	-	-	-	209,211
Total State Government	<u>351,678</u>	<u>-</u>	<u>-</u>	<u>25,069</u>	<u>376,747</u>
Local Government					
Interest	14,537	5,770	5,955	806	27,068
K.C.O.E. Reimbursements	126,798	-	-	-	126,798
Total Local Government	<u>141,335</u>	<u>5,770</u>	<u>5,955</u>	<u>806</u>	<u>153,866</u>
Miscellaneous	<u>20,395</u>	<u>-</u>	<u>-</u>	<u>1,341</u>	<u>21,736</u>
Totals	<u>\$ 1,708,352</u>	<u>\$ 5,770</u>	<u>\$ 5,955</u>	<u>\$ 353,593</u>	<u>\$ 2,073,670</u>

5. INTERFUND TRANSACTIONS

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2016 are as follows:

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

	Interfund Receivables	Interfund Payables
General Fund	\$ 544,925	\$ 340,680
Child Development Fund	74,732	215,397
Cafeteria Fund	37,381	364,528
Building Fund	263,567	-
	<hr/>	<hr/>
Totals	<u>\$ 920,605</u>	<u>\$ 920,605</u>

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016 is shown below:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Capital assets not being depreciated				
Land	\$ 1,462,548	\$ -	\$ -	\$ 1,462,548
Work in progress	-	481,058	-	481,058
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	1,462,548	481,058	-	1,943,606
Capital assets being depreciated				
Buildings	35,683,238	2,431,085	14,400	38,099,923
Improvements of sites	1,279,881	136,664	-	1,416,545
Equipment	3,814,242	142,829	-	3,957,071
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	40,777,361	2,710,578	14,400	43,473,539
Less: Accumulated depreciation				
Buildings	10,024,212	762,972	14,400	10,772,784
Improvements of sites	1,178,008	2,128	-	1,180,136
Equipment	1,799,621	132,697	-	1,932,318
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	13,001,841	897,797	14,400	13,885,238
Total capital assets being depreciated, net	27,775,520	1,812,781	-	29,588,301
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	<u>\$ 29,238,068</u>	<u>\$ 2,293,839</u>	<u>\$ -</u>	<u>\$ 31,531,907</u>

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 553,756
Instructional library, media, and technology	23,123
School site administration	82,268
Home-to-school transportation	99,138
Food services	8,248
Community services	1,880
All other general administration	5,658
Data processing	555
Plant services	123,171
	<hr/>
Total Depreciation Expense	\$ 897,797
	<hr/>

7. DEFERRED OUTFLOWS OF RESOURCES

The District reports decreases in assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflow of resources reported in this year's financial statements is a deferred amount arising from adjustments to the net pension liability. (See further, Note 24.)

8. DEFERRED INFLOWS OF RESOURCES

The District reports increases in assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position. The only deferred inflow of resources reported in this year's financial statements is a deferred amount arising from adjustments to the net pension liability. (See further, Note 24.)

9. ACCOUNTS PAYABLE

Accounts payable at June 30, 2016 consisted of the following:

	General Fund	Capital Facilities Fund	All Other Governmental Funds	Total Govern- mental Funds
	<hr/>	<hr/>	<hr/>	<hr/>
Vendor payables	\$ 2,284,567	\$ 22,811	\$ 22,824	\$ 2,330,202
	<hr/>	<hr/>	<hr/>	<hr/>

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

10. UNEARNED REVENUE

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

Unearned revenue at June 30, 2016 consisted of the following:

	<u>General Fund</u>
Child Care and Development Block Grant	1,142
Special Education:State Preschool Grant	585
Totals	<u>\$ 1,727</u>

11. GENERAL OBLIGATION BONDS

The outstanding general obligation bond debt of the District at June 30, 2016 is as follows:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding 7/1/15	Redeemed During Year	Outstanding 6/30/16
Election of 2004, Series 2004A	3.25% to 5.90%	5/27/04	5/1/48	\$ 5,059,349	\$ 129,349	\$ -	\$ 129,349
Election of 2004, Series 2008	2.25% to 6.20%	8/14/08	5/1/48	5,059,874	4,934,874	50,000	4,884,874
Election of 2014, Series 2015A	3.375% to 4.00%	6/24/15	11/1/44	3,115,000	3,115,000	-	3,115,000
Refunding Bonds, Series 2015A	4.00%	6/24/15	11/1/25	3,860,000	3,860,000	220,000	3,640,000
Totals					<u>\$ 12,039,223</u>	<u>\$ 270,000</u>	<u>\$ 11,769,223</u>

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The annual requirements to amortize general obligation bonds, payable and outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30:</u>	<u>Debt</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 515,000	\$ 308,068	\$ 823,068
2018	560,000	286,656	846,656
2019	395,000	267,582	662,582
2020	455,000	250,544	705,544
2021	495,000	231,393	726,393
2022-2026	2,870,000	835,281	3,705,281
2027-2031	932,169	3,785,115	4,717,284
2032-2036	1,627,222	4,175,503	5,802,725
2037-2041	1,770,934	5,334,666	7,105,600
2042-2046	1,745,480	6,661,720	8,407,200
2047-2048	403,418	3,931,582	4,335,000
Totals	<u>\$ 11,769,223</u>	<u>\$ 26,068,110</u>	<u>\$ 37,837,333</u>

12. ACCREDITED INTEREST

The general obligation bonds issued by the District include capital appreciation bonds. Interest on the capital appreciation bonds is accreted each year, but is not paid until the bonds reach maturity. The accreted interest at June 30, 2016 was \$2,626,956 and will mature as follows:

Year Ending June 30:	
2027-2031	610,319
2032-2036	650,565
2037-2041	593,516
2042-2046	528,199
2047-2048	244,357
Total	<u>\$ 2,626,956</u>

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

13. POSTEMPLOYMENT HEALTH BENEFITS

Plan Description

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 become self-paid for retirees after age 65. All coverages are self-insured on a pooled basis or otherwise provided 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.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 has no invested plan assets accumulated for payment of future benefits. The District has established a Fund for retiree benefits. However, the assets in this Fund have not been contributed into an irrevocable trust and are therefore not considered invested plan assets. This Fund has a current balance of \$3,820,057. Currently, the District pays for the cost of these benefits out of the General Fund on a pay-as-you-go basis and does not use any of the funds in the Special Reserve Fund for Postemployment Benefits. During the year, expenditures of \$653,158 (including the implicit rate subsidy) were paid for these benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost/(expense) is calculated based on an annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District has elected to use a thirty-year amortization. A table showing the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation is as follows:

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	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Present Value of Future Benefits (PVFB)			
Actives	\$ 18,412,650	\$ 19,769,777	\$ 19,769,777
Retired	<u>11,877,424</u>	<u>12,397,800</u>	<u>12,397,800</u>
Total: PVFB	<u>\$ 30,290,074</u>	<u>\$ 32,167,577</u>	<u>\$ 32,167,577</u>
Actuarially Accrued Liability (AAL)			
Actives	\$ 10,052,033	\$ 11,290,290	\$ 11,290,290
Retired	<u>11,877,424</u>	<u>12,397,800</u>	<u>12,397,800</u>
Total: AAL	21,929,457	23,688,090	23,688,090
Assets	(_____)	(_____)	(_____)
Total: Unfunded Actuarially Accrued Liability (UAAL)	<u>\$ 21,929,457</u>	<u>\$ 23,688,090</u>	<u>\$ 23,688,090</u>
Annual Required Contributions (ARC)			
Service Cost at Year-End	\$ 675,607	\$ 697,784	\$ 746,629
30-Year Amortization of Unfunded AL	<u>1,268,183</u>	<u>1,369,885</u>	<u>1,369,885</u>
Total: ARC	1,943,790	2,067,669	2,116,514
Interest Adjustment to ARC	0	239,705	239,705
Amortization Adjustment to ARC	<u>0</u>	(346,554)	(346,554)
Annual OPEB Cost	1,943,790	1,960,820	2,009,665
Net OPEB Obligation, Beginning	5,004,920	5,992,627	6,732,369
Less Amount of Benefits Paid During Year	(956,083)	(1,221,078)	(653,158)
Net OPEB Obligation, Ending	<u>\$ 5,992,627</u>	<u>\$ 6,732,369</u>	<u>\$ 8,088,876</u>

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$23,688,090. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2015-2016 fiscal year was \$19,718,507, for a ratio of the UAAL to covered payroll of 120.13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future terminations, mortality, and healthcare cost

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trends. Actuarially determined amounts are subject to continual revision as actuarial value of plan assets is changing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect on short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 4.0% to discount expected liabilities to the valuation date, which is the actuaries' best estimate of expected long-term plan experience given the types of assets available for the District for investment purposes. The initial medical, prescription drug, and behavioral health trend rates were 8%, reduced by decrements to an ultimate rate of 5.0% for medical after 3 years. The initial and ultimate dental and vision trend rates were 4%. Mortality, disability and retirement rates are from the RP-2014 Mortality Tables. The UAAL is being amortized as a level percentage of projected payrolls.

The unfunded net obligation for other postemployment benefits is \$8,088,876. Annual amounts to amortize this debt are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$ 1,058,436
2018	1,076,746
2019	1,151,534
2020	1,221,533
2021	1,329,475
2022-2026	2,251,152
Total	<u>\$ 8,088,876</u>

**ARVIN UNION SCHOOL DISTRICT
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14. COMPENSATED ABSENCES

Compensated absences at June 30, 2016 consisted of:

	Compensated Absences	Benefits	Totals
Classified (all due after one year)	327,304	30,832	358,136

15. LEASES

A. Capital Leases

The District leases the following equipment and property under agreements which provide title to pass upon expiration of the lease period. Amortization of capital leases for the year ended June 30, 2016 is included in depreciation expense and was \$9,896. Total accumulated amortization through June 30, 2016 on these properties was \$9,896, and is included in accumulated depreciation. The District will receive no sublease rental revenue nor pay any contingent rentals for this equipment and property.

Lease payments are recorded as an expenditure in Debt Service Payments. During the year, the District had not made any payments on the following lease.

Equipment or Property	Capitalized Value	Remaining Lease Commitment
Energy Conservation Measures--Building Automation System, Lighting, Mechanical & Other	\$ 2,375,135	\$ 2,375,135

Future minimum lease payments are as follows:

**ARVIN UNION SCHOOL DISTRICT
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<u>Year Ending June 30:</u>	<u>Present Value</u>	<u>Interest</u>	<u>Total Lease Payment</u>
2017	\$ 290,392	\$ 55,578	\$ 345,970
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
2022-2026	<u>1,178,449</u>	<u>81,753</u>	<u>1,260,202</u>
Net minimum lease payments	<u>\$ 2,375,135</u>	<u>\$ 297,706</u>	<u>\$ 2,672,841</u>

Accounting principles generally accepted in the United States of America require that, at the inception of a capital lease, the principal amount of the lease be recorded as a Capital Outlay expenditure, with a corresponding revenue amount recorded as Proceeds from Capital Leases.

During the year, the District acquired a capital lease in the total principal amount of \$2,375,135, which is reported in these statements as Other Financing Source Revenue and Capital Outlay Expenditure in the General Fund.

Lease payments are reported in the General Fund in these statements.

B. Operating Leases

The District has entered into various operating leases for copy machines with lease terms in excess of one year. None of these agreements contain purchase options. All the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The District will receive no sublease rental revenues nor pay any contingent rentals for these operating leases. Operating lease rental expense for the year ended June 30, 2016 under these operating leases was \$7,794.

Future minimum lease payments under these agreements are as follows:

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<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$ 6,755
2018	1,559
2019	779
	<hr/>
Total	\$ 9,093
	<hr/>

16. 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 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.

Annual amounts to amortize these debts (CalSTRS - \$310,864, CalPERS - \$43,870, PARS - \$48,357, and Other - \$38,000, for a total of \$441,091) are as follows:

**ARVIN UNION SCHOOL DISTRICT
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<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 149,934	\$ 28,720	\$ 178,654
2018	115,953	20,602	136,555
2019	85,701	12,720	98,421
2020	22,811	5,744	28,555
2021	16,673	4,003	20,676
2022-2026	50,019	6,002	56,021
Totals	<u>\$ 441,091</u>	<u>\$ 77,791</u>	<u>\$ 518,882</u>

17. EARLY RETIREMENT INCENTIVE PROGRAM

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

The District has determined that the formal action taken would result in a net savings to the District of \$52,469 per year.

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 three employees have retired in exchange for the additional two years of service credit. The retirees' average age is 61.00 years and average service credit, before the additional two years, is 19.7 years.

**ARVIN UNION SCHOOL DISTRICT
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<u>Position Vacated</u>	<u>Employee Age</u>	<u>Service Credit</u>	<u>Retired Employee</u>		<u>Replacement Employee (If Applicable)</u>	
			<u>Annual Salary</u>	<u>Annual Benefits</u>	<u>Annual Salary</u>	<u>Annual Benefits</u>
Teacher	61	31	88,662		47,049	17,124
Teacher	58	12	83,754		47,049	17,124
Teacher	64	16	<u>72,572</u>		<u>47,049</u>	<u>17,124</u>
Totals			<u>\$ 244,988</u>		<u>\$ 141,147</u>	<u>\$ 51,372</u>

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$170,480 in additional costs. The breakdown in additional costs is presented below:

Retirement Costs (Principal \$133,385: Interest \$36,015)	\$ 169,400
Administrative Costs	<u>1,080</u>
Total Additional Costs	<u>\$ 170,480</u>

Yearly Payroll Savings

The District expects this early retirement program to generate annual payroll savings of \$52,469 which equals the difference in payroll costs for the three retirees and their three replacements.

Financial Impact

The early retirement incentive program is expected to generate \$170,480 in additional costs and annual payroll savings of \$52,469. The program has a pay-back period of 3.249 years.

18. NET PENSION LIABILITY

The following is a summary of the net pension liability as of June 30, 2016. Further details on the computation of the net pension liability are included in Footnote 24.

**ARVIN UNION SCHOOL DISTRICT
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	<u>Beginning</u>	<u>Increases</u>	<u>Ending</u>
California State Teachers' Retirement System (CalSTRS)	\$18,284,000	\$ 1,536,000	\$ 19,820,000
California Public Employees' Retirement System (CalPERS)	<u>4,168,000</u>	<u>1,152,000</u>	<u>5,320,000</u>
Total	<u>\$ 22,452,000</u>	<u>\$ 2,688,000</u>	<u>\$ 25,140,000</u>

All amounts are due after one year.

The liability is expected to be reduced each year with increasing contribution rates until the liability is eliminated.

19. CONTRACT PAYABLE

The District has incurred a contract payable for the purchase of ten school buses. The contract is secured by the buses.

Annual amounts to amortize this debt are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 363,004	\$ 21,290	\$ 384,294
2018	369,967	14,327	384,294
2019	<u>377,062</u>	<u>7,232</u>	<u>384,294</u>
Totals	<u>\$ 1,110,033</u>	<u>\$ 42,849</u>	<u>\$ 1,152,882</u>

ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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20. GENERAL LONG-TERM DEBT--SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
General obligation bonds	\$ 12,039,223	\$ -	\$ 270,000	\$ 11,769,223
Accreted interest--general obligation bonds	2,223,767	403,189	-	2,626,956
Postemployment health benefits	6,732,369	2,009,665	653,158	8,088,876
Compensated absences	409,794	-	51,658	358,136
Capital leases	-	2,375,135	-	2,375,135
Early retirement incentive	-	-	-	-
CalSTRS	527,341	137,755	354,232	310,864
CalPERS	62,106	26,550	44,786	43,870
PARS	61,116	3,360	16,119	48,357
Other	76,000	-	38,000	38,000
Net pension liability	22,452,000	2,688,000	-	25,140,000
Contract payable	1,466,206	-	356,173	1,110,033
Totals	<u>\$ 46,049,922</u>	<u>\$ 7,643,654</u>	<u>\$ 1,784,126</u>	<u>\$ 51,909,450</u>

The additions to Early Retirement Incentives – CalSTRS includes \$133,385 for new retirees, and \$4,370 of adjustments to prior retiree amounts.

Payments on the general obligation bonds (including accreted interest) are made by the Bond Interest and Redemption Fund with local revenues. Payments for postemployment health benefits are made from the Fund for which the employee worked. The compensated absences will be paid by the Fund for which the employee worked. Capital leases are paid for by the General Fund. Early retirement incentives are paid for by the General Fund. The net pension liability will be paid by the Fund for which the employee worked. The contract payable is paid for by the General Fund.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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21. 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 JPAs are such that none of the 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, 2016 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

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Schools Legal Services	Kern County Superintendent of Schools 1300 17 th 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

22. COMMITMENTS AND CONTINGENCIES

A. Pending Assessment for Disputed Tax Revenues

The Kern County Auditor-Controller's Office has impounded disputed revenues of school district taxes on secured and unsecured property based on claims or actions filed for the return of such tax revenues.

The claims and actions are regarding the valuation of mineral rights that could trigger repayment of property taxes.

Revenues are impounded until the final disposition of the claim or action.

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

Pending appeals for taxes	\$ 408,236
Pending appeals for interest	<u>29,745</u>
Total	437,981
Less amount held by Kern County Auditor-Controller	(<u>306,393</u>)
Net Contingent Liability	<u>\$ 131,588</u>

B. General Obligation Bonds

A general election was held on November 4, 2014, at which more than fifty-five percent (55%) of the persons voting on the proposition voted to authorize the issuance of \$15,000,000 of general obligation bonds of the District to finance real property and improvements to be used in the public education operations of the District. Bonds in the amount of \$3,115,000 had been issued at June 30, 2016, leaving a remaining commitment of \$11,885,000.

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C. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

23. CONSTRUCTION-IN-PROGRESS

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

	Project Authorization	Expended to 6/30/16	Committed
Sierra Vista Elementary - Permanent Modular Classroom	\$ 2,822,000	\$ -	\$ 2,822,000
Haven Drive Middle School - Permanent Modular Office	955,000	-	955,000
Totals	<u>\$ 3,777,000</u>	<u>\$ -</u>	<u>\$ 3,777,000</u>

24. EMPLOYEE RETIREMENT SYSTEMS

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).

A. California State Teachers' Retirement System (CalSTRS)

Plan Description, Benefits Provided and Employees Covered

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the State Teachers' Retirement Law. The normal retirement benefit is equal to 2.0% of final compensation for each year of creditable service. CalSTRS issues a separate comprehensive annual financial report that includes financial statements, required supplementary information, and details of

**ARVIN UNION SCHOOL DISTRICT
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membership requirements. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, Post Office Box 15275, Sacramento, California 95851-0275.

Contribution Requirements

Active plan members are required to contribute 9.2% of their salary for “2% at 60 Members” and 8.56% of their salary for “2% at 62 Members,” and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2015-2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$1,533,128, \$1,213,395, and \$1,149,731, respectively, and equal 100% of the required contributions for each year.

Actuarial Methods and Assumptions

The total pension liability for CalSTRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post Retirement Benefit Increases	2.00% simple for defined benefit and 85% purchasing power level for SBMA (Supplemental Benefit Maintenance Account) Not applicable for DBS/CBB programs. (Defined Benefit Supplement)/(Cash Balance Benefit)

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CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

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. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

*10-year geometric average

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Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Presented below is the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability of Employers and Nonemployer Contributing Entity</u>
1% Decrease (6.60%)	\$ 29,927,000
Current Discount Rate (7.60%)	\$ 19,820,000
1% Increase (8.60%)	\$ 11,421,000

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

**Allocation of Aggregate Net Pension Liability and
Aggregate Pension Expense to Individual Employers**

A key aspect of GASB 68 is to establish an approach to allocate the net pension liability and pension expense of the Plan to the individual employers. Paragraph 48 describes that each employer should recognize a proportionate share of the net pension liability and pension expense.

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Each employer's allocation of pension expense, deferred outflows and deferred inflows, and net pension liability will be based on the proportion of its actuarially determined contributions to the aggregate amount of actuarially determined contributions for all Plan employers during the measurement period. Please refer to GASB section of CalSTRS' website for further guidance on this subject.

Recognition of Gains and Losses

Under GASB 68, gains and losses (investment, experience or assumption changes) related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retirees) as of the beginning of the measurement period

The expected average remaining service lifetime (EARS�) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retirees).

Aggregate Pension Expense and Aggregate Deferred Outflows and Deferred Inflows

As of the end of the measurement period (June 30, 2015), the aggregate net pension liability was \$67,324,000,000. The Districts share of the aggregate net pension liability was \$19,820,000.

The District's percentage of the CalSTRS collective net pension liability was determined by dividing the District's employer contributions by the total employer contributions received.

For the year ended June 30, 2016, the District recognized pension expense of \$1,239,265.

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At June 30, 2016, the District reports the following aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 1,533,128	\$ -
Net differences between projected and actual earnings on pension plan investments	-	(1,947,000)
Totals	<u>\$ 1,533,128</u>	<u>(\$ 1,947,000)</u>

The amounts above are net of inflows and outflows recognized in the 2014-15 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 1,533,128	(\$ 486,750)
2018	-	(486,750)
2019	-	(486,750)
2020	-	(486,750)
Totals	<u>\$ 1,533,128</u>	<u>(\$ 1,947,000)</u>

Changes of Benefit Terms

There were no changes to benefit terms that applied to all members of the Plan.

Changes of Assumptions

There were no changes in major assumptions from the June 30, 2012 actuarial valuation.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on members' years of service, age, final compensation, and benefit formula. CalPERS issues a separate comprehensive annual financial report that includes financial statements, required supplementary information, and details of membership requirements. Copies of the CalPERS annual financial report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811.

Contribution Requirements

Active plan members are required to contribute 7.0% of their salary for "2% at 55 Members" and 6.0% of their salary for "2% at 62 Members," and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015-2016 was 11.847%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$524,611, \$470,294, and \$440,969, respectively, and equal 100% of the required contributions for each year.

**Actuarial Methods and Assumptions Used
To Determine Total Pension Liability**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for All Funds
Post Retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions (cash flows) was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website. 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.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the 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 one quarter of one percent.

The table below reflects 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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in this GASB 68 accounting valuation report may differ from the plan assets reported in the Schools Pool funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

**Sensitivity of the Aggregate Net Pension Liability
to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate.

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.50%)	\$ 8,659,000
Current Discount Rate (7.50%)	\$ 5,320,000
1% Increase (8.50%)	\$ 2,544,000

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

**Allocation of Aggregate Net Pension Liability and
Aggregate Pension Expense to Individual Employers**

A key aspect of GASB 68 is to establish an approach to allocate the net pension liability and pension expense of the Plan to the individual employers. Paragraph 48 describes that each employer should recognize a proportionate share of the net pension liability and pension expense.

Each employer's allocation of pension expense, deferred outflows and deferred inflows, and net pension liability will be based on the proportion of its actuarially determined contributions to the aggregate amount of actuarially determined contributions for all Schools Pool employers during the measurement period. Please refer to GASB section of CalPERS' website for further guidance on this subject.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Recognition of Gains and Losses

Under GASB 68, gains and losses (investment, experience or assumption changes) related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retirees) as of the beginning of the measurement period

The expected average remaining service lifetime (EARS�) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retirees).

Aggregate Pension Expense and Aggregate Deferred Outflows and Deferred Inflows

As of the end of the measurement period (June 30, 2015), the aggregate net pension liability was \$14,740,098,710. The District's share of the aggregate net pension liability was \$5,320,000.

The District's percentage of the CalPERS collective net pension liability was determined by dividing the District's employer contributions by the total employer contributions received.

For the year ended June 30, 2016, the District recognized pension expense of \$1,105,352.

At June 30, 2016, the District reports the following aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 524,611	\$ -
Net differences between projected and actual earnings on pension plan investments	_____ -	(509,000)
Totals	<u>\$ 524,611</u>	<u>(\$ 509,000)</u>

The amounts above are net of inflows and outflows recognized in the 2014-15 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 524,611	(\$ 127,250)
2018	-	(127,250)
2019	-	(127,250)
2020	_____ -	(127,250)
Totals	<u>\$ 524,611</u>	<u>(\$ 509,000)</u>

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**ARVIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

25. 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, 2016, there were 64 employees that had elected to participate, with total compensation deferrals of \$189,456.

26. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of State General Fund contributions of \$859,870 to CalSTRS (7.12589% of 2013-14 creditable CalSTRS compensation).

27. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2016 financial statements for subsequent events through December 7, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

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**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND
ACTUAL (GAAP)(BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	General Fund			
	Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Local control funding formula sources				
State apportionments	\$ 25,398,364	\$ 25,434,576	\$ 25,738,726	\$ 304,150
Local sources	2,522,721	2,522,721	2,241,670	(281,051)
Total Local Control Funding Formula	27,921,085	27,957,297	27,980,396	23,099
Federal revenue	3,478,406	3,632,032	3,374,792	(257,240)
Other state revenue	4,530,049	4,530,049	3,945,129	(584,920)
Other local revenue	565,139	565,139	2,133,227	1,568,088
Total Revenues	36,494,679	36,684,517	37,433,544	749,027
Expenditures				
Certificated salaries	14,606,019	14,356,375	14,511,182	(154,807)
Classified salaries	3,881,727	3,738,741	4,224,861	(486,120)
Employee benefits	7,562,479	7,039,866	8,403,014	(1,363,148)
Books and Supplies	2,827,065	3,160,275	2,956,992	203,283
Services and other operating expenditures	3,632,951	3,930,627	4,426,430	(495,803)
Capital outlay	1,395,834	1,011,540	701,954	309,586
Payments to County Office	1,100,000	1,100,000	1,196,023	(96,023)
Direct support/indirect costs - Interfund	(10,078)	(10,078)	-	(10,078)
Debt service				
Principal retirement	-	356,173	356,173	-
Interest and fiscal charges	-	28,121	28,121	-
Total Expenditures	34,995,997	34,711,640	36,804,750	(2,093,110)
Excess (Deficiency) of Revenues Over Expenditures	1,498,682	1,972,877	628,794	(1,344,083)
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	1,498,682	1,972,877	628,794	(1,344,083)
Fund Balances, July 1, 2015	7,682,172	7,682,172	7,725,404	43,232
Fund Balances, June 30, 2016	\$ 9,180,854	\$ 9,655,049	\$ 8,354,198	\$ (1,300,851)

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF NET PENSION LIABILITY--
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016**

The table below shows an analysis of the District's proportionate share of the collective net pension liability, the District's payroll amount for current employees in the plan, a ratio of the District's proportionate share of the collective net pension liability divided by the District's covered-employee payroll, and the pension plan's net position as a percentage of the total pension liability.

Year Ended	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	Covered- Employee Payroll (c)	Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll [(a-b)/c]
June 30, 2014	\$ 95,208,000	\$ 72,856,000	\$ 22,352,000	76.5%	\$ 13,936,000	160.4%
June 30, 2015	70,379,000	52,095,000	18,284,000	74.0%	13,664,000	133.8%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS--
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016**

The table below shows an analysis of the District's statutorially or contractually required contributions, the District's actual contributions, the difference (if any) and the District's actual contributions as a percentage of covered-employee payroll.

Year Ended	District's Statutorially or Contractually Required Contributions (a)	District's Actual Contributions (b)	Difference Between Actual and Required Contributions (a-b)	District's Covered- Employee Payroll (c)	Actual Contributions as a Percentage of Covered- Employee Payroll (b/c)
June 30, 2013	\$ 998,690	\$ 998,690	\$ -	\$ 12,105,000	8.25%
June 30, 2014	1,149,731	1,149,731	-	13,936,000	8.25%
June 30, 2015	1,213,395	1,213,395	-	13,664,000	8.88%
June 30, 2015	1,533,128	1,533,128	-	14,288,000	10.73%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF NET PENSION LIABILITY--
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016**

The table below shows an analysis of the District's proportionate share of the collective net pension liability, the District's payroll amount for current employees in the plan, a ratio of the District's proportionate share of the collective net pension liability divided by the District's covered-employee payroll, and the pension plan's net position as a percentage of the total pension liability.

Year Ended	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	Covered- Employee Payroll (c)	Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll ([a-b]/c)
June 30, 2014	\$ 34,115,000	\$ 28,444,000	\$ 5,671,000	83.4%	\$ 3,854,000	147.1%
June 30, 2015	20,261,000	16,093,000	4,168,000	79.4%	3,995,000	104.3%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS--
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016**

The table below shows an analysis of the District's statutorially or contractually required contributions, the District's actual contributions, the difference (if any) and the District's actual contributions as a percentage of covered-employee payroll.

Year Ended	District's Statutorially or Contractually Required Contributions (a)	District's Actual Contributions (b)	Difference Between Actual and Required Contributions (a-b)	District's Covered- Employee Payroll (c)	Actual Contributions as a Percentage of Covered- Employee Payroll (b/c)
June 30, 2013	\$ 425,264	\$ 425,264	\$ -	\$ 3,725,000	11.417%
June 30, 2014	440,969	440,969	-	3,854,000	11.442%
June 30, 2015	470,294	470,294	-	3,995,000	11.771%
June 30, 2016	524,611	524,611	-	4,428,000	11.847%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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**SUPPLEMENTARY INFORMATION
SECTION**

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND
ACTUAL (GAAP)(BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	Building Fund			
	Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Local control funding formula sources				
State apportionments	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	-	-	20,113	20,113
Total Revenues	-	-	20,113	20,113
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	1,500,000	1,500,000	-	1,500,000
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,500,000	1,500,000	-	1,500,000
Excess (Deficiency) of Revenues Over Expenditures	(1,500,000)	(1,500,000)	20,113	1,520,113
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(1,500,000)	(1,500,000)	20,113	1,520,113
Fund Balances, July 1, 2015	3,000,316	3,000,316	3,000,316	-
Fund Balances, June 30, 2016	\$ 1,500,316	\$ 1,500,316	\$ 3,020,429	\$ 1,520,113

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND
ACTUAL (GAAP)(BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	Capital Facilities Fund			
	Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Local control funding formula sources				
State apportionments	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	230,000	230,000	836,927	606,927
Total Revenues	230,000	230,000	836,927	606,927
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	94,000	94,000	111,216	(17,216)
Capital outlay	400,000	400,000	12,300	387,700
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	494,000	494,000	123,516	370,484
Excess (Deficiency) of Revenues Over Expenditures	(264,000)	(264,000)	713,411	977,411
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(264,000)	(264,000)	713,411	977,411
Fund Balances, July 1, 2015	2,177,743	2,177,743	2,177,743	-
Fund Balances, June 30, 2016	\$ 1,913,743	\$ 1,913,743	\$ 2,891,154	\$ 977,411

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS--
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2016**

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability, and the unfunded actuarial accrued liability as a percentage of covered payroll.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%

Combining Statements--General Fund

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2016

	General Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Special Reserve Fund for Post- employment Benefits	Eliminations	Total Combined General Fund (GASB 54)
Assets						
Cash in county treasury	\$ 5,583,748	\$ 178,705	\$ 435,107	\$ 474,502	-	\$ 6,672,062
Cash on hand and in banks	1,160,705	-	-	-	-	1,160,705
Cash in revolving fund	5,000	-	-	-	-	5,000
Investments with fiscal agent	-	-	643,747	245,239	-	888,986
Accounts receivable	1,496,867	374	910	992	-	1,499,143
Due from grantor governments	209,209	-	-	-	-	209,209
Due from other funds	544,925	-	1,339,000	3,099,324	(4,438,324)	544,925
Stores inventories						
Supplies	-	-	-	-	-	-
Food	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Total Assets	<u>\$ 9,000,454</u>	<u>\$ 179,079</u>	<u>\$ 2,418,764</u>	<u>\$ 3,820,057</u>	<u>\$ (4,438,324)</u>	<u>\$ 10,980,030</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 2,284,567	\$ -	\$ -	\$ -	-	\$ 2,284,567
Due to other funds	4,779,004	-	-	-	(4,438,324)	340,680
Unearned revenue	585	-	-	-	-	585
Total Liabilities	<u>7,064,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,438,324)</u>	<u>2,625,832</u>
Fund Balances						
Nonspendable						
Revolving fund	5,000	-	-	-	-	5,000
Stores inventories	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Restricted						
Legally restricted balances	683,361	-	-	-	-	683,361
Assigned						
Other assignments	204,290	179,079	2,374,957	3,803,368	-	6,561,694
Unassigned						
Reserve for economic uncertainties	1,104,143	-	-	-	-	1,104,143
Unassigned	(60,496)	-	43,807	16,689	-	-
Total Fund Balances	<u>1,936,298</u>	<u>179,079</u>	<u>2,418,764</u>	<u>3,820,057</u>	<u>-</u>	<u>8,354,198</u>
Total Liabilities and Fund Balances	<u>\$ 9,000,454</u>	<u>\$ 179,079</u>	<u>\$ 2,418,764</u>	<u>\$ 3,820,057</u>	<u>\$ (4,438,324)</u>	<u>\$ 10,980,030</u>

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	General Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Special Reserve Fund for Post- employment Benefits	Totals - Combined General Fund (GASB 54)
Revenues					
Local Control Funding Formula Sources					
State apportionments	\$ 25,738,726	\$ -	\$ -	\$ -	\$ 25,738,726
Local sources	2,241,670	-	-	-	2,241,670
Total Local Control Funding Formula	27,980,396	-	-	-	27,980,396
Federal revenue	3,374,792	-	-	-	3,374,792
Other state revenue	3,945,129	-	-	-	3,945,129
Other local revenue	2,107,205	1,246	15,528	9,248	2,133,227
Total Revenues	37,407,522	1,246	15,528	9,248	37,433,544
Expenditures					
Certificated salaries	14,511,182	-	-	-	14,511,182
Classified salaries	4,224,861	-	-	-	4,224,861
Employee benefits	8,403,014	-	-	-	8,403,014
Books and Supplies	2,956,992	-	-	-	2,956,992
Services and other operating expenditures	4,426,430	-	-	-	4,426,430
Capital outlay	701,954	-	-	-	701,954
Payments to County Office	1,196,023	-	-	-	1,196,023
Principal retirement	356,173	-	-	-	356,173
Interest and fiscal charges	28,121	-	-	-	28,121
Total Expenditures	36,804,750	-	-	-	36,804,750
Excess (Deficiency) of Revenues Over Expenditures	602,772	1,246	15,528	9,248	628,794
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	602,772	1,246	15,528	9,248	628,794
Fund Balances, July 1, 2015	1,333,526	177,833	2,403,236	3,810,809	7,725,404
Fund Balances, June 30, 2016	\$ 1,936,298	\$ 179,079	\$ 2,418,764	\$ 3,820,057	\$ 8,354,198

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	General Fund			Variance with
	<u>Budgeted Amounts</u>		Actual (GAAP) Basis	Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Control Funding Formula Sources				
State apportionments	\$ 25,398,364	\$ 25,434,576	\$ 25,738,726	\$ 304,150
Local sources	2,522,721	2,522,721	2,241,670	(281,051)
Total Local Control Funding Formula	<u>27,921,085</u>	<u>27,957,297</u>	<u>27,980,396</u>	<u>23,099</u>
Federal revenue	3,478,406	3,632,032	3,374,792	(257,240)
Other state revenue	4,530,049	4,530,049	3,945,129	(584,920)
Other local revenue	505,139	505,139	2,107,205	1,602,066
Total Revenues	<u>36,434,679</u>	<u>36,624,517</u>	<u>37,407,522</u>	<u>783,005</u>
Expenditures				
Certificated salaries	14,606,019	14,356,375	14,511,182	(154,807)
Classified salaries	3,881,727	3,738,741	4,224,861	(486,120)
Employee benefits	7,562,479	7,039,866	8,403,014	(1,363,148)
Books and Supplies	2,827,065	3,160,275	2,956,992	203,283
Services and other operating expenditures	3,632,951	3,930,627	4,426,430	(495,803)
Capital outlay	1,395,834	1,011,540	701,954	309,586
Payments to County Office	1,100,000	1,100,000	1,196,023	(96,023)
Direct support/indirect costs - Interfund	(10,078)	(10,078)	-	(10,078)
Principal retirement	-	356,173	356,173	-
Interest and fiscal charges	-	28,121	28,121	-
Total Expenditures	<u>34,995,997</u>	<u>34,711,640</u>	<u>36,804,750</u>	<u>(2,093,110)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>1,438,682</u>	<u>1,912,877</u>	<u>602,772</u>	<u>(1,310,105)</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other				
Financing Sources Over Expenditures	<u>1,438,682</u>	<u>1,912,877</u>	<u>602,772</u>	<u>(1,310,105)</u>
Fund Balances, July 1, 2015	<u>1,333,527</u>	<u>1,333,527</u>	<u>1,333,526</u>	<u>(1)</u>
Fund Balances, June 30, 2016	<u>\$ 2,772,209</u>	<u>\$ 3,246,404</u>	<u>\$ 1,936,298</u>	<u>\$ (1,310,106)</u>

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Deferred Maintenance Fund			
	<u>Budgeted Amounts</u>		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Local Control Funding Formula Sources				
State apportionments	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	-	-	1,246	1,246
Total Revenues	-	-	1,246	1,246
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	1,246	1,246
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other				
Financing Sources Over Expenditures	-	-	1,246	1,246
Fund Balances, July 1, 2015	177,833	177,833	177,833	-
Fund Balances, June 30, 2016	<u>\$ 177,833</u>	<u>\$ 177,833</u>	<u>\$ 179,079</u>	<u>\$ 1,246</u>

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Special Reserve (Special Revenue) Fund			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(GAAP) Basis	Final Budget Positive/ (Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	10,000	10,000	15,528	5,528
Total Revenues	10,000	10,000	15,528	5,528
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues				
Over Expenditures	10,000	10,000	15,528	5,528
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other				
Financing Sources Over Expenditures	10,000	10,000	15,528	5,528
Fund Balances, July 1, 2015	2,371,929	2,371,929	2,403,236	31,307
Fund Balances, June 30, 2016	<u>\$ 2,381,929</u>	<u>\$ 2,381,929</u>	<u>\$ 2,418,764</u>	<u>\$ 36,835</u>

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Special Reserve Fund for Postemployment Benefits			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(GAAP) Basis	Final Budget Positive/ (Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	50,000	50,000	9,248	(40,752)
Total Revenues	50,000	50,000	9,248	(40,752)
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues				
Over Expenditures	50,000	50,000	9,248	(40,752)
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other				
Financing Sources Over Expenditures	50,000	50,000	9,248	(40,752)
Fund Balances, July 1, 2015	3,798,883	3,798,883	3,810,809	11,926
Fund Balances, June 30, 2016	<u>\$ 3,848,883</u>	<u>\$ 3,848,883</u>	<u>\$ 3,820,057</u>	<u>\$ (28,826)</u>

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Totals - Combined General Fund (GASB 54)			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(GAAP) Basis	Final Budget Positive/ (Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	\$ 25,398,364	\$ 25,434,576	\$ 25,738,726	\$ 304,150
Local sources	2,522,721	2,522,721	2,241,670	(281,051)
Total Local Control Funding Formula	27,921,085	27,957,297	27,980,396	23,099
Federal revenue	3,478,406	3,632,032	3,374,792	(257,240)
Other state revenue	4,530,049	4,530,049	3,945,129	(584,920)
Other local revenue	565,139	565,139	2,133,227	1,568,088
Total Revenues	36,494,679	36,684,517	37,433,544	749,027
Expenditures				
Certificated salaries	14,606,019	14,356,375	14,511,182	(154,807)
Classified salaries	3,881,727	3,738,741	4,224,861	(486,120)
Employee benefits	7,562,479	7,039,866	8,403,014	(1,363,148)
Books and Supplies	2,827,065	3,160,275	2,956,992	203,283
Services and other operating expenditures	3,632,951	3,930,627	4,426,430	(495,803)
Capital outlay	1,395,834	1,011,540	701,954	309,586
Payments to County Office	1,100,000	1,100,000	1,196,023	(96,023)
Direct support/indirect costs - Interfund	(10,078)	(10,078)	-	(10,078)
Principal retirement	-	356,173	356,173	-
Interest and fiscal charges	-	28,121	28,121	-
Total Expenditures	34,995,997	34,711,640	36,804,750	(2,093,110)
Excess (Deficiency) of Revenues				
Over Expenditures	1,498,682	1,972,877	628,794	(1,344,083)
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other				
Financing Sources Over Expenditures	1,498,682	1,972,877	628,794	(1,344,083)
Fund Balances, July 1, 2015	7,682,172	7,682,172	7,725,404	43,232
Fund Balances, June 30, 2016	\$ 9,180,854	\$ 9,655,049	\$ 8,354,198	\$ (1,300,851)

See notes to the basic financial statements.

Combining Statements--Nonmajor Funds

**ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Totals
Assets			
Cash in county treasury	\$ 107,554	\$ 368,683	\$ 476,237
Cash on hand and in banks	76,162	42	76,204
Cash in revolving fund	-	1,000	1,000
Accounts receivable	441	353,152	353,593
Due from other funds	74,732	37,381	112,113
Stores inventories			
Supplies	-	2,831	2,831
Food	-	20,819	20,819
Prepaid expenditures	-	117,995	117,995
Total Assets	<u>\$ 258,889</u>	<u>\$ 901,903</u>	<u>\$ 1,160,792</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 17,252	\$ 5,572	\$ 22,824
Due to other funds	215,397	364,528	579,925
Unearned revenue	1,142	-	1,142
Total Liabilities	<u>233,791</u>	<u>370,100</u>	<u>603,891</u>
Fund Balances			
Nonspendable			
Revolving fund	-	1,000	1,000
Stores inventories	-	23,650	23,650
Prepaid expenditures	-	117,995	117,995
Restricted			
Legally restricted balances	-	37,712	37,712
Committed			
Assigned			
Other assignments	25,098	-	25,098
Unassigned			
Unassigned	-	351,446	351,446
Total Fund Balances	<u>25,098</u>	<u>531,803</u>	<u>556,901</u>
Total Liabilities and Fund Balances	<u>\$ 258,889</u>	<u>\$ 901,903</u>	<u>\$ 1,160,792</u>

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Totals
Revenues			
Federal revenue	\$ -	\$ 2,427,391	\$ 2,427,391
Other state revenue	434,393	155,057	589,450
Other local revenue	46,151	13,822	59,973
Total Revenues	480,544	2,596,270	3,076,814
Expenditures			
Certificated salaries	165,002	-	165,002
Classified salaries	96,371	721,091	817,462
Employee benefits	129,832	391,303	521,135
Books and Supplies	63,761	1,528,768	1,592,529
Services and other operating expenditures	883	60,476	61,359
Total Expenditures	455,849	2,701,638	3,157,487
Excess (Deficiency) of Revenues Over Expenditures	24,695	(105,368)	(80,673)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	24,695	(105,368)	(80,673)
Fund Balances, July 1, 2015	403	637,171	637,574
Fund Balances, June 30, 2016	\$ 25,098	\$ 531,803	\$ 556,901

**ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	Child Development Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal revenue	\$ -	\$ -	\$ -
Other state revenue	449,593	434,393	(15,200)
Other local revenue	-	46,151	46,151
Total Revenues	449,593	480,544	30,951
Expenditures			
Certificated salaries	160,775	165,002	(4,227)
Classified salaries	90,423	96,371	(5,948)
Employee benefits	119,209	129,832	(10,623)
Books and Supplies	65,038	63,761	1,277
Services and other operating expenditures	14,148	883	13,265
Direct support/indirect costs - Interfund	-	-	-
Total Expenditures	449,593	455,849	(6,256)
Excess (Deficiency) of Revenues Over Expenditures	-	24,695	24,695
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	24,695	24,695
Fund Balances, July 1, 2015	404	403	(1)
Fund Balances, June 30, 2016	<u>\$ 404</u>	<u>\$ 25,098</u>	<u>\$ 24,694</u>

**ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	Cafeteria Fund		
			Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Federal revenue	\$ 1,805,077	\$ 2,427,391	\$ 622,314
Other state revenue	130,000	155,057	25,057
Other local revenue	23,000	13,822	(9,178)
Total Revenues	1,958,077	2,596,270	638,193
Expenditures			
Certificated salaries	-	-	-
Classified salaries	667,589	721,091	(53,502)
Employee benefits	328,001	391,303	(63,302)
Books and Supplies	986,777	1,528,768	(541,991)
Services and other operating expenditures	15,429	60,476	(45,047)
Direct support/indirect costs - Interfund	10,078	-	10,078
Total Expenditures	2,007,874	2,701,638	(693,764)
Excess (Deficiency) of Revenues Over Expenditures	(49,797)	(105,368)	(55,571)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(49,797)	(105,368)	(55,571)
Fund Balances, July 1, 2015	279,543	637,171	357,628
Fund Balances, June 30, 2016	\$ 229,746	\$ 531,803	\$ 302,057

**ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	Totals		
			Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Federal revenue	\$ 1,805,077	\$ 2,427,391	\$ 622,314
Other state revenue	579,593	589,450	9,857
Other local revenue	23,000	59,973	36,973
Total Revenues	2,407,670	3,076,814	669,144
Expenditures			
Certificated salaries	160,775	165,002	(4,227)
Classified salaries	758,012	817,462	(59,450)
Employee benefits	447,210	521,135	(73,925)
Books and Supplies	1,051,815	1,592,529	(540,714)
Services and other operating expenditures	29,577	61,359	(31,782)
Direct support/indirect costs - Interfund	10,078.00	-	10,078.00
Total Expenditures	2,457,467	3,157,487	(700,020)
Excess (Deficiency) of Revenues Over Expenditures	(49,797)	(80,673)	(30,876)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(49,797)	(80,673)	(30,876)
Fund Balances, July 1, 2015	279,947	637,574	357,627
Fund Balances, June 30, 2016	\$ 230,150	\$ 556,901	\$ 326,751

**ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Totals
Assets			
Cash in county treasury	\$ 5	\$ 166	\$ 171
Investments with fiscal agent	-	643,747	643,747
	<u>5</u>	<u>643,913</u>	<u>643,918</u>
Total Assets	<u>\$ 5</u>	<u>\$ 643,913</u>	<u>\$ 643,918</u>
Liabilities and Fund Balances			
Liabilities	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Nonspendable			
Restricted			
Committed			
Assigned			
Other assignments	5	643,913	643,918
Unassigned	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>5</u>	<u>643,913</u>	<u>643,918</u>
Total Liabilities and Fund Balances	<u>\$ 5</u>	<u>\$ 643,913</u>	<u>\$ 643,918</u>

**ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	County School Facilities Fund	Special Reserve (Capital Projects) Fund	Totals
Revenues			
Other local revenue	\$ -	\$ 12,501	\$ 12,501
Expenditures			
Capital outlay	-	2,375,135	2,375,135
Total Expenditures	-	2,375,135	2,375,135
Excess (Deficiency) of Revenues Over Expenditures	-	(2,362,634)	(2,362,634)
Other Financing Sources (Uses)			
Proceeds from capital leases	-	2,375,135	2,375,135
Total Other Financing Sources (Uses)	-	2,375,135	2,375,135
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	12,501	12,501
Fund Balances, July 1, 2015	5	631,412	631,417
Fund Balances, June 30, 2016	\$ 5	\$ 643,913	\$ 643,918

**ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	County School Facilities Fund		
			Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Other local revenue	\$ -	\$ -	\$ -
Expenditures			
Capital outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
Other Financing Sources (Uses)			
Proceeds from capital leases	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	-	-
Fund Balances, July 1, 2015	5	5	-
Fund Balances, June 30, 2016	\$ 5	\$ 5	\$ -

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Special Reserve (Capital Projects) Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	\$ -	\$ 12,501	\$ 12,501
Expenditures			
Capital outlay	2,382,135	2,375,135	7,000
Total Expenditures	2,382,135	2,375,135	7,000
Excess (Deficiency) of Revenues Over Expenditures	(2,382,135)	(2,362,634)	19,501
Other Financing Sources (Uses)			
Proceeds from capital leases	2,375,135	2,375,135	-
Total Other Financing Sources (Uses)	2,375,135	2,375,135	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(7,000)	12,501	19,501
Fund Balances, July 1, 2015	600,105	631,412	31,307
Fund Balances, June 30, 2016	\$ 593,105	\$ 643,913	\$ 50,808

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Totals		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	\$ -	\$ 12,501	\$ 12,501
Expenditures			
Capital outlay	2,382,135	2,375,135	7,000
Total Expenditures	2,382,135	2,375,135	7,000
Excess (Deficiency) of Revenues Over Expenditures	(2,382,135)	(2,362,634)	19,501
Other Financing Sources (Uses)			
Proceeds from capital leases	2,375,135	2,375,135	-
Total Other Financing Sources (Uses)	2,375,135	2,375,135	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(7,000)	12,501	19,501
Fund Balances, July 1, 2015	600,110	631,417	31,307
Fund Balances, June 30, 2016	\$ 593,110	\$ 643,918	\$ 50,808

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Individual Fund Statements--Nonmajor Funds

**ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2016**

	Bond Interest and Redemption Fund
	<hr/>
Assets	
Cash in county treasury	\$ 665,458
	<hr/>
Total Assets	\$ 665,458
	<hr/>
Liabilities and Fund Balances	
Liabilities	<hr/>
Total Liabilities	\$ -
Fund Balances	
Nonspendable	
Restricted	
Debt services	665,458
Committed	
Assigned	
Unassigned	<hr/>
Total Fund Balances	665,458
	<hr/>
Total Liabilities and Fund Balances	\$ 665,458
	<hr/>

**ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016**

	<u>Bond Interest and Redemption Fund</u>
Revenues	
Other state revenue	\$ 5,825
Other local revenue	<u>624,152</u>
Total Revenues	<u>629,977</u>
Expenditures	
Debt service	
Principal retirement	270,000
Interest and fiscal charges	<u>282,924</u>
Total Expenditures	<u>552,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>77,053</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	77,053
Fund Balances, July 1, 2015	<u>588,405</u>
Fund Balances, June 30, 2016	<u><u>\$ 665,458</u></u>

ARVIN UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Bond Interest and Redemption Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other state revenue	\$ -	\$ 5,825	\$ 5,825
Other local revenue	30,000	624,152	594,152
Total Revenues	30,000	629,977	599,977
Expenditures			
Debt service			
Principal retirement	-	270,000	(270,000)
Interest and fiscal charges	-	282,924	(282,924)
Total Expenditures	-	552,924	(552,924)
Excess (Deficiency) of Revenues Over Expenditures	30,000	77,053	47,053
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	30,000	77,053	47,053
Fund Balances, July 1, 2015	-	588,405	588,405
Fund Balances, June 30, 2016	<u>\$ 30,000</u>	<u>\$ 665,458</u>	<u>\$ 635,458</u>

Other Supplementary Information

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

ORGANIZATION STRUCTURE

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.

Board of Trustees

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Anabel Rubio	President	November, 2018
James Arvizu	Clerk	November, 2016
Toni Pichardo	Member	November, 2018
Maria Ortiz	Member	November, 2016
Geri Rivera	Member	November, 2018

Administration

Michelle McLean
Superintendent

Georgia Rhett
Assistant Superintendent

Chris Davis
Chief Business Official

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULE OF AVERAGE DAILY ATTENDANCE

	District ADA		Audited ADA	
	<u>Second Period</u>	<u>Annual</u>	<u>Second Period</u>	<u>Annual</u>
Elementary				
Regular				
TK / K - 3	1,376.02	1,380.22	1,376.02	1,380.22
Grades 4 - 6	951.07	953.45	951.07	953.45
Grades 7 - 8	638.63	638.52	638.63	638.52
Extended year special education-- special day class	<u>2.92</u>	<u>-</u>	<u>2.92</u>	<u>-</u>
ADA Totals	<u><u>2,968.64</u></u>	<u><u>2,972.19</u></u>	<u><u>2,968.64</u></u>	<u><u>2,972.19</u></u>

Average daily attendance is a measurement of the number of pupils attending classes of the District. 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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULE OF INSTRUCTIONAL TIME

<u>Grade Level</u>	<u>1986-87 Required Minutes</u>	<u>2015-16 Offered Minutes</u>	<u>Days Offered</u>	<u>Status</u>
TK / Kindergarten	36,000	57,540 - 57,600	180	In Compliance
Grade 1	50,400	54,960 - 56,090	180	In Compliance
Grade 2	50,400	54,960 - 56,090	180	In Compliance
Grade 3	50,400	54,960 - 56,090	180	In Compliance
Grade 4	54,000	54,960 - 56,090	180	In Compliance
Grade 5	54,000	54,960 - 56,090	180	In Compliance
Grade 6	54,000	54,960 - 56,090	180	In Compliance
Grade 7	54,000	67,447	180	In Compliance
Grade 8	54,000	67,447	180	In Compliance

Districts must maintain their instructional minutes as required by Education Code Section 46201 and 46207.

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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District exceeded its Local Control Funding Formula target funding.

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

<u>General Fund</u>	(Budget) 2017	2016	2015	2014
Revenues and Other Financing Sources	\$ 37,013,839	\$ 37,433,544	\$ 34,100,586	\$ 29,239,131
Expenditures	36,962,551	36,804,750	34,543,504	30,781,407
Other Financing Uses and Transfers Out	-	-	-	-
Total Outgo	36,962,551	36,804,750	34,543,504	30,781,407
Change in Fund Balance	\$ 51,288	\$ 628,794	\$ (442,918)	\$ (1,542,276)
Ending Fund Balance	\$ 8,405,486	\$ 8,354,198	\$ 7,725,404	\$ 8,168,322
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Reserve for Economic Uncertainties	1,108,877	1,104,143	2,728,789	2,694,177
Available Reserves	\$ 1,108,877	\$ 1,104,143	\$ 2,728,789	\$ 2,694,177
Available Reserves as a Percentage of Total Outgo	3.00%	3.00%	7.90%	8.75%
Total Long-Term Debt	\$ 52,118,431	\$ 51,909,450	\$ 46,049,922	\$ 18,411,546
Average Daily Attendance at P-2--Traditional	2,969	2,969	2,981	3,003

This schedule discloses the District's financial trends by displaying past years' data along with budget information for the fiscal year ending June 30, 2017. 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 General Fund balance has increased by \$185,876 over the past two years. The fiscal year 2016-2017 budget projects an increase of \$51,288 (0.6%). For a District this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo), but not less than \$60,000. The District's available reserves are in excess of this suggested balance.

The District has incurred operating deficits in two of the past three years, but does not anticipate an operating deficit during the 2016-2017 fiscal year.

Total long-term debt has increased by \$33,497,904 over the past two years.

Average daily attendance has decreased by 34 over the past two years. During fiscal year 2016-2017, no change in ADA is anticipated.

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Education Passed through California Department of Education (CDE)			
* Title I Grants to Local Educational Agencies	84.010	13797, 14329	1,650,020
Migrant Education--State Grant Program	84.011	14326	787,836
1 Special Education--Grants to States	84.027	13379, 13682	471,450
1 Special Education--Preschool Grants	84.173	13430	10,689
Even Start--Migrant Education (MEES)	84.214	10030	45,271
English Language Acquisition State Grants	84.365	10084, 14346	213,203
Improving Teacher Quality State Grants	84.367	14341	145,289
Total U. S. Department of Education			<u>3,323,758</u>
U. S. Department of Agriculture Passed through CDE			
* 2 School Breakfast Program	10.553	13526	625,808
* 2 National School Lunch Program	10.555	13523, 13524	1,392,561
Child and Adult Care Food Program	10.558	13393	275,938
Fresh Fruit and Vegetable Program	10.582	14968	133,084
Total U. S. Department of Agriculture			<u>2,427,391</u>
U. S. Department of Health and Human Services Passed through State Department of Health Services			
3 Medical Assistance Program	93.778	10013, 10060	<u>\$ 115,344</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,866,493</u></u>

* = Major Federal Program

	Cluster Totals
1 = Special Education Cluster (IDEA)	\$ 482,139
2 = Child Nutrition Cluster	2,018,369
3 = Medicaid Cluster	115,344

See notes to schedule of expenditures of federal awards.

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
--	------------------------------------	---	---------------------------------

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

	Federal CFDA Number	Amount
Total Federal Revenues--Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 5,802,183
Reconciling items:		
Medical Assistance Program	93.778	<u>64,310</u>
Total Expenditures of Federal Awards		<u>\$ 5,866,493</u>

See notes to schedule of expenditures of federal awards.

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**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. NON-CASH ASSISTANCE

Federal expenditures for the National School Lunch Program includes \$138,077 of food commodities consumed. Food commodities are valued at the assessed value provided by the United States Department of Agriculture.

3. SUBRECIPIENTS

The District did not provide any awards to subrecipients.

4. DE MINIMUS COST RATE

The District did not elect to use the 10% de minimus cost rate.

* * *

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT (SACS 2016)
WITH AUDITED FINANCIAL STATEMENTS,
ALL GOVERNMENTAL FUNDS**

	General Fund	Child Development Fund	Cafeteria Fund
Annual Financial and Budget Report (SACS 2016) Fund Balances	\$ 2,155,422	\$ 25,098	\$ 144,098
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balances			
Increase (Decrease) in Assets			
Cash on hand and in banks	1,160,705	76,162	42
Investments with Fiscal Agent	-	-	-
Accounts receivable	(1,160,705)	(295,286)	351,404
Due from other Funds	(219,124)	-	-
Stores inventories	-	-	10,583
Prepaid expenses	-	-	25,676
(Increase) Decrease in Liabilities			
Due to other Funds	-	219,124	-
Net Adjustments and Reclassifications	(219,124)	-	387,705
Audited Financial Statements Fund Balances	\$ 1,936,298	\$ 25,098	\$ 531,803

This schedule provides the information necessary to reconcile the fund balances of all Funds reported on SACS 2016 forms to the audited financial statements.

There were no audit adjustments for the remaining District Funds not listed above.

Special Reserve (Special Revenue) Fund	Fund for Post- Employment Benefits	Capital Facilities Fund	Special Reserve (Capital Projects) Fund
<hr/>	<hr/>	<hr/>	<hr/>
\$ 2,374,957	\$ 3,803,368	\$ 3,704,138	\$ 600,106
<hr/>	<hr/>	<hr/>	<hr/>
-	-	65,755	-
43,807	16,689	-	43,807
-	-	(878,739)	-
-	-	-	-
-	-	-	-
-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>
43,807	16,689	(812,984)	43,807
<hr/>	<hr/>	<hr/>	<hr/>
\$ 2,418,764	\$ 3,820,057	\$ 2,891,154	\$ 643,913
<hr/>	<hr/>	<hr/>	<hr/>

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT (SACS 2016) FORM DEBT
WITH AUDITED FINANCIAL STATEMENTS**

Total Debt Reported on Form DEBT		\$ 11,729,281
Adjustments to Reported Amounts		
General obligation bonds payable	\$ 3,026,692	
Capital leases payable	2,375,135	
Other general long-term debt	1,551,124	
Net OPEB obligation	8,088,876	
Compensated absences payable	(1,658)	
Net pension liability	<u>25,140,000</u>	
Total Adjustments		<u>40,180,169</u>
Total Debt Per Financial Statements		<u><u>\$ 51,909,450</u></u>

This schedule provides the information necessary to reconcile the long-term debt reported on SACS 2016 Form DEBT to the audited financial statements.

**ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULE OF CHARTER SCHOOLS

No Charter Schools are chartered by the District.

* * *

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).

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**OTHER INDEPENDENT AUDITOR'S
REPORTS**



**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:

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 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2016. The purpose of our audit was to express an opinion on the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described

in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. This material weakness is described in the accompanying Schedule of Findings and Questioned Costs as Item 2016-001.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. These significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Items 2016-002 through 2016-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Linger, Peterson & Shrum

December 7, 2016



**INDEPENDENT AUDITORS' 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:

Report on Compliance for Each Major Federal Program

We have audited Arvin Union School District's (the District) compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 the Federal Statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to federal programs. In planning and performing our audit of compliance, we considered the 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 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 consider 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.

Linger, Peterson & Shrum

December 7, 2016

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INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE

Board of Trustees
Arvin Union School District
Arvin, California:

Report on State Compliance

We have audited the compliance of Arvin Union School District (the District) with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations (CCR)*, Title 5, Section 19810 and following for the year ended June 30, 2016.

Management's Responsibility

The District's management is responsible for the District's compliance with the applicable compliance requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit. Our compliance audit was made in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations (CCR)*, Title 5, Section 19810 and following. Our compliance audit included 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 compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the District's compliance with these requirements. We selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the items below.

<u>Description</u>	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Not Applicable
E. Continuation Education	Not Applicable
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratios of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	Yes
K. GANN Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not Applicable
N. Middle or Early College High Schools	Not Applicable
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. [Reserved]	
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
R. Educator Effectiveness	Yes
S. California Clean Energy Jobs Act	Yes
T. After School Education and Safety Program	Yes
U. Proper Expenditure of Education Protection Account Funds	Yes
V. [Reserved]	
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study—Course-Based	Not Applicable
Z. Immunizations	Not Applicable
CHARTER SCHOOLS	
AA. Attendance	Not Applicable
BB. Mode of Instruction	Not Applicable
CC. Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
DD. Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
EE. Annual Instructional Minutes--Classroom-Based	Not Applicable
FF. Charter School Facility Grant Program	Not Applicable

Basis for Qualified Opinion on State Compliance

As described in Finding 2016-005 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the following:

<u>Finding No.</u>	<u>Compliance Requirement</u>
2016-005	Classroom Teacher Salaries

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

Qualified Opinion on State Compliance for Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on State Compliance paragraph, the Arvin Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Classroom Teacher Salaries for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other State Programs

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 other State Programs identified in the Auditor's Responsibility section above for the year ended June 30, 2016.

The District's Response to Finding

Arvin Union School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

Linger, Peterson & Shrum

December 7, 2016

FINDINGS AND RECOMMENDATIONS SECTION

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of Auditors' Report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010
10.553, 10.555

Title I Grants to Local Educational Agencies
Child Nutrition Cluster

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

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

State Awards

Internal control over State programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of Auditors' Report issued on compliance for State programs:	Qualified

SECTION II - FINANCIAL STATEMENT FINDINGS

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

2016-001 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.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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.

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.

2016-002 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

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

statements. Pursuant to Education Code Section 41017, the County Office of Education may authorize a school district to deposit any miscellaneous receipts into one or more clearing accounts. Money deposited into those accounts shall be paid into the County Treasury within the time periods specified pursuant to Education Code Section 41001, which states that all deposits and payments required by this Code Section shall be made daily, unless the County Superintendent of Schools authorizes them to be made weekly or otherwise, but in no event less frequently than monthly.

Condition

Miscellaneous cash receipts in the Clearing Account for 2015-2016 were not being transferred into Cash in County Treasury on a consistent basis. In addition, there is no documentation regarding the makeup of the balance remaining in the account at the end of any given month.

Questioned Costs

There were no questioned costs related to this finding.

Perspective

Most of the cash balance remaining in the Clearing Account at year-end is believed to be from donations, grants, and other local revenue. The balance in the clearing account at June 30, 2016 was booked as accounts receivable in order to report the revenue in the proper period. We have reclassified that amount to Cash on Hand. The balance at June 30, 2016 was \$1,302,664.

Effect

When cash is not deposited intact, on a regular basis, it leaves more opportunity for the misappropriation of these funds. In addition, the cash in the Clearing Account is not earning as much interest for the District as it would if the funds were deposited in the County Treasury. When transferred to Cash in County Treasury, the cash will be part of a common investment pool and will earn interest.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Cause

The personnel responsible for depositing this cash did not keep up with the process of making deposits to transfer money from the account to Cash in County Treasury on at least a monthly basis.

Recommendation

Miscellaneous cash receipts should be deposited into the County Treasury on at least a monthly basis. The District should continually maintain documentation of the items that comprise the account balance.

Views of Responsible Officials and Planned Corrective Actions

The Administration will comply with this recommendation. The Administration understands the internal control issues associated with the recordation of cash received and the timely transfer of cash to the County Treasury, and will follow these procedures in the future.

2016-003 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

The Clearing Account was not being reconciled in writing to the bank statements on a timely basis. No written bank reconciliations were presented for audit.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Questioned Costs

There were no questioned costs related to this finding.

Perspective

This finding applies to the Clearing Account for the entire fiscal year from July 1, 2015 through June 30, 2016.

Effect

If the Clearing Account is not reconciled on a timely basis each month after receiving the bank statement, there could be errors, inconsistencies, or unauthorized expenditures that could go undetected.

Cause

The procedure in place requiring monthly reconciliations was not being performed.

Recommendation

The Clearing Account should be reconciled to the bank statements on a timely basis soon after the bank statement is received from the bank each month. Each month's written reconciliations should be filed with the corresponding bank statement.

Views of Responsible Officials and Planned Corrective Actions

The Administration will comply with this recommendation. The Administration understands the internal control issues associated bank accounts and their supporting documents, and will follow these procedures in the future.

**2016-004 Internal Control [30000] - Haven Drive Middle School
Student Body Fund**

Federal Program Information

This finding does not relate to any Federal programs.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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

Out of twelve randomly selected expenditures tested, four invoices were for inappropriate expenditures. The expenditures were for various items including curriculum supplies, workshops, and school supplies.

Questioned Costs

The questioned costs related to this finding are \$1,216.

Perspective

	<u>Inappropriate Expenditures</u>	
	<u>Quantity</u>	<u>Amount</u>
Population	164	\$ 79,593
Sample Size	12	19,041
Findings	4	1,216

Effect

Student Body funds are being used to pay for expenditures which the District should be paying for, thereby depleting the Student Body accounts inappropriately.

Cause

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

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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

For the 2016-2017 school year, the checkbook for the Haven Drive Student Body is located in the Arvin Union School District office. The Chief Business Official for the District will review all check requests and prevent inappropriate expenditures in the future. The General Fund will reimburse the Haven Drive Student Body Fund \$1,216 for the questioned costs.

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 or 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.

2016-005 Classroom Teacher Salaries [61000]

Federal Program Information

This finding does not relate to any Federal programs.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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 52.65%.

Questioned Costs

The questioned cost is the deficiency amount of \$2,289,282.09.

Perspective

Minimum percentage required	60.00%
Percentage spent by this District	<u>52.65</u>
	7.35%
District's current expense of education after reductions	<u>\$ 31,146,695.12</u>
Deficiency amount	<u>\$ 2,289,282.09</u>

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 \$2,289,282.09. The District may be required to add the deficient amount of \$2,289,282.09 to the amounts to be expended for salaries of classroom teachers during 2016-2017.

Cause

With the new LCFF funding system and elimination of many categorical programs, more funding is counted in this percentage than ever before, which makes it harder to meet. Additionally, LCAP funds are spent based on a criteria that has nothing to do with this formula.

**ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Recommendation

The District should apply for an “Application for Exemption from the Required Expenditures for Classroom Teachers’ Salaries”.

Views of Responsible Officials and Planned Corrective Actions

The District filed the “Application for Exemption from the Required Expenditures for Classroom Teachers’ Salaries” on September 20, 2016. The District management also believes that this formula needs to be updated to account for LCAP.

* * *

**ARVIN UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2016**

<u>Finding Number</u>	<u>Findings/Recommendations</u>	<u>Status</u>	<u>District Explanation if Not Fully Implemented</u>
2015-001	There were insufficient numbers of employees to adequately separate duties in the Student Body Funds. Such separation of duties would enhance internal control.	Not implemented	See current-year Finding 2016-001.
2015-002	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.	Not implemented	
2015-003	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	Not implemented	

**ARVIN UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2016**

<u>Finding Number</u>	<u>Findings/Recommendations</u>	<u>Status</u>	<u>District Explanation if Not Fully Implemented</u>
2015-004	For the Bear Mountain Elementary School Student Body Fund, some randomly selected expenditures were for inappropriate expenditures. All expenditures should be approved in advance by an individual who can determine appropriate expenditures, and the General Fund should reimburse the Student Body Fund for these costs.	Implemented	
2015-005	For the Haven Drive Middle School Student Body Fund, none of the randomly selected expenditures were cancelled upon payment. All invoices and other documentation should have clear markings on their face to show payment was made, to prevent duplicate payments.	Implemented	
2015-006	The District did not meet the expense of education percentage requirements for expenditures for salaries of classroom teachers. The District should apply for an "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries".	Implemented	

* * *