

ARVIN UNION SCHOOL DISTRICT

MEASURE C BOND FUND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008



SHINAULT BAKER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS:	
Balance Sheet, June 30, 2008.....	2
Statement of Revenues, Expenditures and Changes in Fund Balance, Year Ended June 30, 2008.....	3
Statement of Cash Flows Year Ended June 30, 2008.....	4
Notes to the Financial Statements.....	5
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9
AUDIT OBJECTIVE, SCOPE AND METHODOLOGY AND FINDINGS AND RECOMMENDATIONS.....	11



SHINAULT BAKER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Arvin Union School District
Arvin, California

We have audited the accompanying financial statements of the Measure C Bond Fund of Arvin Union School District (The District) as of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Measure C Bond Fund and do not purport to, and do not, present fairly the financial position of The District as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure C Bond Fund of The District as of June 30, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2008, on our consideration of the Measure C Bond Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


Shinault Baker & Company
Certified Public Accountants
September 18, 2008

ARVIN UNION SCHOOL DISTRICT
BALANCE SHEET
MEASURE C BOND FUND
JUNE 30, 2008

ASSETS

Cash, including interest bearing deposits	\$	375,262
Accounts receivable		<u>3,366</u>

TOTAL ASSETS	\$	<u>378,628</u>
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LIABILITIES AND FUND BALANCE

Accounts payable	\$	<u>-</u>
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TOTAL LIABILITIES		-
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Fund balance (deficit)		<u>378,628</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$	<u>378,628</u>
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See accompanying notes and accountants' report

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MEASURE C BOND FUND
YEAR ENDED JUNE 30, 2008

REVENUES		
Interest income	\$	<u>16,725</u>
	TOTAL REVENUES	16,725
EXPENDITURES		
Professional and consulting		12,630
Buildings and improvements		<u>101,363</u>
	TOTAL EXPENDITURES	<u>113,993</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,268)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of bonds		-
Transfer between bonds		<u>-</u>
	NET CHANGE IN FUND BALANCE	(97,268)
	BEGINNING FUND BALANCES (DEFICIT)	<u>475,896</u>
	ENDING FUND BALANCES (DEFICIT)	<u>\$ 378,628</u>

See accompanying notes and accountants' report

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
MEASURE C BOND FUND
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from income	\$ 20,110
Cash paid for capital outlays and expenditures	<u>(116,544)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(96,434)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from sale of bond	<u>-</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(96,434)
CASH AT BEGINNING OF YEAR	<u>471,696</u>
CASH AT END OF YEAR	<u>\$ 375,262</u>

See accompanying notes and accountants' report

ARVIN UNION SCHOOL DISTRICT
MEASURE C BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 GENERAL INFORMATION

The Arvin Union School District (The District) provides education in the city of Arvin grades K through 8 in the State of California. The District consists of four school sites: Haven Drive Middle School, Bear Mountain Elementary, Sierra Vista Elementary and El Camino Real Elementary.

Measure C is a facilities and equipment bond measure for the District adopted by the Board of Trustees and passed by voters on March 2, 2004. The District was authorized by Measure C to issue \$11 million of general obligation bonds. The District had determined to issue the bonds in two sums, the first on May 27, 2004, issued at \$5.4 million. These bonds are financed over 20 years with principal and interest payments due each November 1 beginning November 1, 2006.

The Board of Supervisors is empowered and is obligated to levy property taxes, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for payment of principal and maturity value of and interest on the bonds.

The District has established a separate capital project fund to account for the activities of the Measure C bonds.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements include only the Measure C Bond Fund (a capital project fund) of the District.

MEASURE FOCUS AND BASIS OF ACCOUNTING

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Measure C Bond Fund is a governmental fund type. Government fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Change in Fund Balances for this fund present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

ARVIN UNION SCHOOL DISTRICT
MEASURE C BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

In accordance with Education Code section 41001, The District maintains substantially all its cash in the Kern County Treasury. Funds invested in the county treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, provides that amounts held in external investment pools be reported at fair value. However, cash in the county treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

FUND BALANCE

The fund balance represents amounts reserved for expenditure on Measure C approved projects.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 CASH

As provided for by Education Code, Section 41001, a significant portion of the District's cash balances of most funds is required to be deposited with the County Treasurer for the purpose of increasing interest earned through County investment activities.

The County is authorized by California Government Code Section 53468 et seq to deposit cash and invest excess funds. While The District is able to determine the value of its' deposits with the County as of June 30, 2008, the County is unable to determine the carrying amount and bank balances of the District's total deposits with the County as of June 30, 2008, or under which categories the bank balances and/or investments apply. In addition, the District is unable to determine whether the County has invested directly or indirectly in any derivative instruments.

ARVIN UNION SCHOOL DISTRICT
MEASURE C BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 CASH (Continued)

As of the date of these financial statements, the County of Kern's 2008 audited financial statements were not yet available. Copies of the County's audited financial statements can be obtained from the Kern County Auditor Controller's Office, 1115 Truxtun Avenue, Bakersfield, California, 93301.

The pooled treasury has regulatory oversight from the Kern County Treasury Oversight Committee in accordance with California Government Code requirements.

The California Government Code requires California banks and savings and loan associations to secure The District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits.

NOTE 4 COMMITMENTS AND CONTINGENCIES

As part of tax laws surrounding tax-exempt bonds, investment earnings, with certain adjustments, on unexpended bond proceeds are limited to the interest rate paid on the bond debt. Arbitrage (i.e. excess investment earnings) is required to be rebated to the federal government every five years for as long as the bonds are outstanding. At June 30, 2008, no arbitrage liability was deemed necessary.

NOTE 5 BONDS ISSUED AND OUTSTANDING

On March 2, 2004, the Arvin Union School District issued bonds in the principal amount of \$5,059,348 to be used for the purpose of financing the District's facilities. The Current Interest Bonds accrue interest at rates ranging from 3.25% to 4.875% with the interest payable semiannually on May 1 and November 1 of each year with a portion of the principal due each year commencing November 1, 2003 and a maturity date of November 1, 2028.

These bonds represent a general obligation of the Improvement District. The payment of principal and interest is to be funded by property taxes assessed on real property within the Improvement District. The following table reflects the debt service schedule for both bonds.

ARVIN UNION SCHOOL DISTRICT
 MEASURE C BOND FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 5 BONDS ISSUED AND OUTSTANDING (Continued)

Maturity Date (November 1)	Coupon	Yield	Issuance Value	Par	Maturity Value	Price	Dollar Price
2006	3.250%	2.350%	\$ 40,000	100.000%	\$ 40,000	102.084%	\$ 40,834
2007	3.250%	2.820%	55,000	100.000%	55,000	101.381%	55,760
2008	3.500%	3.170%	70,000	100.000%	70,000	101.342%	70,939
2009	3.750%	3.470%	100,000	100.000%	100,000	101.364%	101,364
2010	4.000%	3.660%	100,000	100.000%	100,000	101.920%	101,920
2011	4.250%	3.850%	125,000	100.000%	125,000	102.550%	128,188
2012	4.375%	4.000%	145,000	100.000%	145,000	102.648%	148,840
2013	4.375%	4.100%	165,000	100.000%	165,000	102.123%	168,503
2014	4.500%	4.190%	185,000	100.000%	185,000	102.587%	189,786
2015	4.200%	4.280%	200,000	100.000%	200,000	99.280%	198,560
2016	4.300%	4.380%	230,000	100.000%	230,000	99.237%	228,245
2017	4.375%	4.470%	255,000	100.000%	255,000	99.046%	252,567
2018	4.400%	4.550%	285,000	100.000%	285,000	98.424%	280,508
2019	4.500%	4.590%	315,000	100.000%	315,000	99.009%	311,878
2020	4.550%	4.660%	345,000	100.000%	345,000	98.744%	340,667
2021	4.625%	4.710%	380,000	100.000%	380,000	98.930%	376,173
2022	4.700%	4.770%	425,000	100.000%	425,000	99.144%	421,362
2023	4.750%	4.810%	460,000	100.000%	460,000	99.244%	456,522
2024	4.800%	4.870%	500,000	100.000%	500,000	99.096%	495,480
2025	4.875%	4.940%	550,000	100.000%	550,000	99.142%	545,281
2026	-	5.880%	46,931	7.509%	625,000	27.308%	170,675
2027	-	5.890%	42,530	6.543%	650,000	25.712%	167,128
2028	-	5.900%	39,888	5.823%	685,000	24.204%	165,797
Total	-	-	\$ 5,059,348	-	\$ 6,890,000	-	\$ 5,416,978



SHINAULT BAKER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Arvin Union School District
Bakersfield, California

We have audited the Measure C Bond financial statements of Arvin Union School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. 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 and standards prescribed by the State Department of Finance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arvin Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

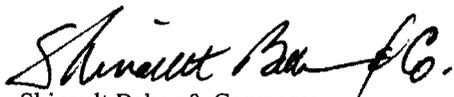
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above

Compliance

As part of obtaining reasonable assurance about whether the District's Measure C Bond financial statements are free of 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 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Citizen's Oversight Committee, Board of Trustees, District management and the District's federal and state awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Shinault Baker & Company
Certified Public Accountants
September 18, 2008



SHINAULT BAKER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Arvin Union School District
Arvin, California

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

This performance audit of the Measure C Bond Fund is required under Proposition 39 (Prop 39), passed by California voters in the November 7, 2000 general election, which amended the California Constitution. Provisions of Prop 39 require an annual, independent performance audit to ensure that the proceeds from the sale of school facilities bonds have been expended on specified projects, and not for teacher and administrator salaries and other school operating expenses. On March 2, 2004, the voters of Kern County approved Measure C, a facilities and equipment bond measure for the Arvin Union School District. Based on the requirement of Prop 39, we identified the following objectives:

Identify all school facility projects authorized under Prop 39 and approved by the passing of Measure C to determine bond funds were expended only for these authorized projects.

Review the administration of the Measure C bond funds, including the development and maintenance of internal controls and procedures to ensure compliance with both Prop 39 and Measure C provisions.

On September 10, 2008, we conducted our fieldwork for the audit of the basic financial statements of the District. The scope of the audit encompassed the District's Measure C Bond Fund established within the financial reporting system of The District.

To achieve the performance audit objectives, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The following audit procedures were performed:

Review of Prop 39 provisions, Article 13A, Section 1(b) (3) of the California Constitution, Measure C bond literature and any other documents deemed necessary.

Interview District staff and document the internal controls and procedures established for the administration of Measure C bond funds. Review a sample of vendor invoices paid with Measure C bond funds to ensure expenditures were properly authorized and processed according to established internal control procedures and recorded under an approved project.

Findings and Recommendations

Our audit disclosed no instances that we determined were instances of noncompliance with the terms of Prop 39 or Measure C. Nothing came to our attention to indicate that the District did not implement appropriate management controls to ensure the bond proceeds are administered economically, efficiently and effectively. In addition, nothing came to our attention that teacher and administrative salaries were paid from Measure C funds.

Shinault Baker & Company
Certified Public Accountants
September 18, 2008

