NEW ISSUE – BOOK-ENTRY-ONLY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A"
(See "RATINGS" herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

ARVIN UNION SCHOOL DISTRICT
(Kern County, California)

$3,115,000
General Obligation Bonds
Election of 2014, Series 2015A

and

$3,860,000
General Obligation
Refunding Bonds, Series 2015A

Dated: Date of Delivery **Due: November 1, as shown on inside cover**.

The General Obligation Bonds, Election of 2014, Series 2015A (the "Series A Bonds") of the Arvin Union School District (the "District") were authorized at a bond election conducted in the District on November 4, 2014 (the "2014 Election"), at which more than 55% of the voters within the District voting on the measure voted to approve the issuance by the District of $15,000,000 aggregate principal amount of bonds, as more fully described herein under the caption "INTRODUCTION." The proceeds of the Series A Bonds are being used to finance the construction, acquisition, furnishing and equipping of District facilities and pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE – The Projects."

The District's General Obligation Refunding Bonds, Series 2015A (the "Refunding Bonds" and, collectively with the Series A Bonds, the "Bonds") are being issued to advance refund a portion of the District's General Obligation Bonds, Election of 2004, Series 2004A (the "Refunded Bonds") and to pay certain costs of issuance associated with the Refunding Bonds. See the caption "PLAN OF FINANCE – The Refunding" herein.

The Bonds will be issued in denominations of $5,000 principal amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of Wells Fargo Bank, National Association, Paying Agent for the Bonds (the "Paying Agent").

The Series A Bonds are the first series of bonds issued pursuant to the authorization approved by the voters at the 2014 Election, and, following the issuance thereof, $11,885,000 of authorization under the 2014 Election will remain. The Bonds are issued on a parity with all other general obligation bonds of the District, including general obligation bonds issued pursuant to previous authorizations.

The Bonds will be issued as current interest bonds. The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing November 1, 2015, and semiannually thereafter on May 1 and November 1 of each year. See "THE BONDS" herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry-Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption" herein.

The Bonds are general obligations of the District only and are not obligations of the County of Kern, the State of California or any of its other political subdivisions. The Board of Supervisors of the County of Kern has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property in the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, premium, if any, and interest on each Bond as the same becomes due and payable.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Original Purchaser, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and certain other conditions. Nixon Peabody LLP is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form through the facilities of DTC on or about June 24, 2015.

Dated: June 10, 2015

MATURITY SCHEDULE

$3,115,000
ARVIN UNION SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2014, SERIES 2015A

$850,000 Serial Bonds

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (043303)
2016	$230,000	4.00%	0.65%	GG5
2017	255,000	4.00	1.05	GH3
2018	60,000	4.00	1.40	GJ9
2019	70,000	4.00	1.63	GK6
2020	80,000	4.00	1.90	GL4
2021	25,000	4.00	2.18	GM2
2022	35,000	4.00	2.39	GN0
2023	40,000	4.00	2.57	GP5
2024	25,000	4.00	2.77	GQ3
2025	30,000	4.00	2.93	GR1

$175,000 3.375% Term Bonds Maturing November 1, 2029, Priced to Yield 3.470%; CUSIP No. 043303GS9

$130,000 3.500% Term Bonds Maturing November 1, 2031, Priced to Yield 3.660%; CUSIP No. 043303GT7

$165,000 3.750% Term Bonds Maturing November 1, 2033, Priced to Yield 3.800%; CUSIP No. 043303GU4

$205,000 3.750% Term Bonds Maturing November 1, 2035, Priced to Yield 3.900%; CUSIP No. 043303GV2

$250,000 4.000% Term Bonds Maturing November 1, 2037, Priced to Yield 4.000%; CUSIP No. 043303GW0

$480,000 4.000% Term Bonds Maturing November 1, 2040, Priced to Yield 4.100%; CUSIP No. 043303GX8

$860,000 4.000% Term Bonds Maturing November 1, 2044, Priced to Yield 4.150%; CUSIP No. 043303GY6

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Official Purchaser and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Official Purchaser is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE

$3,860,000
ARVIN UNION SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (043303)
2015	$220,000	4.00%	0.45%	FU5
2016	235,000	4.00	0.65	FV3
2017	255,000	4.00	1.05	FW1
2018	285,000	4.00	1.40	FX9
2019	310,000	4.00	1.63	FY7
2020	340,000	4.00	1.90	FZ4
2021	370,000	4.00	2.18	GA8
2022	410,000	4.00	2.39	GB6
2023	440,000	4.00	2.57	GC4
2024	475,000	4.00	2.77	GD2
2025	520,000	4.00	2.93	GE0

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Official Purchaser and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Official Purchaser is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. The County of Kern has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE ORIGINAL PURCHASER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE ORIGINAL PURCHASER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Exhibit F - Specimen Municipal Bond Insurance Policy".

Statements included or incorporated by reference in the following information constitute "forward looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the District's forecasts. The District is not obligated to issue any updates or revisions to the forward looking statements in any event.

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

ARVIN UNION SCHOOL DISTRICT
Kern County, State of California

District Administrators

Dr. Michelle McLean, Superintendent
Chris Davis, Chief Business Officer

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, CA

Paying Agent/Escrow Agent

Wells Fargo Bank, National Association
Minneapolis, Minnesota

Verification Agent

Causey Demgen & Moore P.C.,
Denver, Colorado

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ARVIN UNION SCHOOL DISTRICT
(Kern County, California)

$3,115,000		**$3,860,000**
General Obligation Bonds	**and**	**General Obligation**
Election of 2014, Series 2015A		**Refunding Bonds, Series 2015A**

INTRODUCTION

The Arvin Union School District (the "District"), a school district of the State of California (the "State"), proposes to issue $3,115,000 aggregate principal amount of its General Obligation Bonds Election of 2014, Series 2015A (the "Series A Bonds"), under and pursuant to a bond authorization for the issuance and sale of not more than $15,000,000 of general obligation bonds (the "Authorization") approved by more than 55% of the voters of the District voting at an election held on November 4, 2014 (the "2014 Election").

Proceeds from the sale of the Series A Bonds will be used for the acquisition, construction, furnishing and equipping of District facilities (collectively, the "Projects"), and the payment of costs of issuance of the Series A Bonds, all as further described herein under "PLAN OF FINANCE – The Projects" and as provided in the bond proposition approved at the 2014 Election, in accordance with the Constitution and laws of the State.

The District also proposes to issue $3,860,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2015A (the "Refunding Bonds," and together with the Series A Bonds, the "Bonds"), pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Sections 53550 and 53580, respectively) (the "Refunding Law") and other applicable laws and regulations of the State, to (i) advance refund a portion of the District's General Obligation Bonds, Election of 2004, Series 2004A (the "Refunded Bonds") and (ii) pay costs of issuance of the Refunding Bonds. See the caption "PLAN OF FINANCE" herein.

The Series A Bonds are the first issue under the Authorization, after which $11,885,000 of the Authorization will remain for issuance of subsequent series of the District's general obligation bonds. All general obligation bonds issued by or on behalf of the District are or will be issued on a parity with the Bonds. See the caption "– Proposition 39" under the heading "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED BY AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT. THE BONDS ARE NOT AN OBLIGATION OF THE GENERAL FUND OF THE DISTRICT OR OF THE COUNTY OF KERN (THE "COUNTY"). SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

The District was established in 1913. The District is comprised of an area of approximately 270 square miles within the County. The District serves students in grades kindergarten through 8th grade. The District currently operates three (3) elementary schools and one middle school. See APPENDIX A – "THE DISTRICT."

The District has certain existing lease financing obligations as set forth in APPENDIX A and direct and overlapping bonded indebtedness as set forth under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct and Overlapping Debt." The District's audited financial statements for fiscal year 2013-14 are attached hereto as APPENDIX C. For further information concerning the District, see APPENDIX A – "THE DISTRICT."

THE BONDS

Authority for Issuance and Security for the Bonds

The Series A Bonds are being issued by the District under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as amended, and pursuant to a resolution of the Board of Trustees of the District adopted on April 21, 2015 (the "Resolution").

The Refunding Bonds are being issued pursuant to the Refunding Law and the Resolution. Pursuant to the Refunding Law, general obligation bonds issued for the purpose of refunding outstanding general obligation bonds previously authorized by the voters that reduce the debt service obligation of taxpayers do not require additional voter approval, either for issuance of such refunding general obligation bonds or the levy of an *ad valorem* property tax sufficient to pay principal and interest as due on the refunding general obligation bonds.

Purpose of Issue

The District submitted a project list (the "Project List") to the voters at the 2014 Election, specifying the Projects, from which a number of components will be financed with the proceeds of the Series A Bonds. Details regarding the Project List and the proposed components to be financed are set forth under the caption "PLAN OF FINANCE – The Projects" herein.

The net proceeds of sale of the Series A Bonds, after payment of costs of issuance, shall be deposited into the Debt Service Fund and Building Fund of the District and applied to pay capitalized interest on the Series A Bonds and the costs of certain of the Projects. Any excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Series A Bonds. Moneys in the Debt Service Fund are expected to be invested through the Kern County Treasury Pool. See "THE KERN COUNTY TREASURY POOL" herein.

The District will use the net proceeds of the sale of the Refunding Bonds to effect an advance refunding of the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds. The Refunded Bonds will be defeased as of the date of delivery of the Refunding Bonds by the deposit and investment of net proceeds of the Refunding Bonds with Wells Fargo Bank, National Association, in its capacity as Escrow Agent (the "Escrow Agent") under and pursuant to that certain Escrow Agreement, dated as of June 1, 2015 (the 'Escrow Agreement"), by and between the District and the Escrow Agent. Such proceeds deposited by the District, together with investment earnings thereon, are intended to be sufficient to pay the redemption price of the Refunded Bonds, plus accrued and unpaid interest thereon on to the redemption date. The sufficiency of amounts on deposit under the Escrow Agreement will be verified by Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent"). See "PLAN OF FINANCE – The Refunding" and "VERIFICATION" herein.

Description of the Bonds

All the following provisions apply equally to the Series A Bonds and the Refunding Bonds unless the context requires otherwise.

The Bonds will be issued in the form of current interest bonds in denominations of $5,000 or any integral multiple thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement. **The Bonds are not subject to acceleration.**

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer of New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM" herein.

Payment of the Bonds

Interest on each Bond shall accrue from its dated date. Interest on the Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing November 1, 2015, to the registered owner (each, an "Owner") thereof as of the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date"). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Estimated Sources and Uses of Funds

The proceeds of the Series A Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount	$3,115,000.00
Net Original Issue Premium/Discount	25,258.15
Total Sources	$3,140,258.15
Uses of Funds	
Deposit to Building Fund	$ 3,000,000.00
Deposit to Debt Service Fund	43,014.64
Deposit to Costs of Issuance Account[1]	97,243.51
Total Uses	$3,140,258.15

[1] Includes payment of Underwriter's discount, Bond and Disclosure Counsel fees, Financial Advisor fees, Paying Agent fees, rating agency fees, bond insurance premium, Preliminary Official Statement and Official Statement printing and other costs of issuance.

The proceeds of the Refunding Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount	$3,860,000.00
Original Issue Premium/Discount	350,054.10
Total Sources	$4,210,054.10
Uses of Funds	
Deposit to Escrow Fund	$4,036,035.63
Deposit to Costs of Issuance Account[1]	174,018.47
Total Uses	$4,210,054.10

[1] Includes payment of Underwriter's discount, Bond and Disclosure Counsel fees, Financial Advisor fees, Paying Agent fees, Verification Agent fees, Escrow Agent fees, rating agency fees, bond insurance premium, Preliminary Official Statement and Official Statement printing and other costs of issuance.

Optional Redemption

The following provisions apply to each Series of Bonds, except as noted below.

Optional Redemption of the Series A Bonds. The Series A Bonds maturing on or before November 1, 2025, are not subject to optional redemption prior to their respective stated maturity dates. The Series A Bonds maturing on or after November 1, 2026, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after November 1, 2025, at par, together with interest accrued thereon to the date of redemption, without premium.

Optional Redemption of the Refunding Bonds. The Refunding Bonds are not subject to optional redemption prior to their stated maturities.

Mandatory Sinking Fund Redemption

Mandatory Sinking Fund Redemption of the Series A Bonds. The Series A Bonds maturing on November 1, 2029, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2026, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2026	$35,000
2027	40,000
2028	45,000
2029[(1)]	55,000

[(1)] Maturity.

The Series A Bonds maturing on November 1, 2031, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2030, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2030	$60,000
2031[(1)]	70,000

[(1)] Maturity.

The Series A Bonds maturing on November 1, 2033, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2032, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2032	$80,000
2033[1]	85,000

[1] Maturity.

The Series A Bonds maturing on November 1, 2035, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2034, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2034	$ 95,000
2035[1]	110,000

[1] Maturity.

The Series A Bonds maturing on November 1, 2037, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2036, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2036	$120,000
2037[1]	130,000

[1] Maturity.

The Series A Bonds maturing on November 1, 2040, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2038, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2038	$145,000
2039	160,000
2040[(1)]	175,000

[(1)] Maturity.

The Series A Bonds maturing on November 1, 2044, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 2041, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
2041	$190,000
2042	205,000
2043	225,000
2044[(1)]	240,000

[(1)] Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all Outstanding Bonds of a Series are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP® numbers assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest on such Bonds shall cease to accrue.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event the Bonds are no longer held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to DTC and any other securities depositories designated by the District in accordance with the Resolution; and (iii) in the event the Bonds are no longer held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, or (2) overnight delivery service, to the Municipal Securities Rulemaking Board.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like Series, tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund or a designated escrow account, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Discharge and Defeasance

If all or any portion of the Outstanding Bonds shall be paid and discharged in any one of the following ways:

(a) by paying or causing to be paid the Principal Amount, premium, if any, and interest on such Bonds, and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution that meets the requirements of serving as successor Paying Agent pursuant to such Resolution selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the Resolution with respect to the affected Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry-Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see APPENDIX E hereto.

Debt Service Schedule

The following table summarizes the debt service requirements for the Bonds, assuming no optional redemption:

Year Ending November 1	Series A Bonds		Refunding Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2015	$ –	$ 43,014.64	$ 220,000.00	$ 54,468.89	$ 317,483.53
2016	230,000.00	121,931.26	235,000.00	145,600.00	732,531.26
2017	255,000.00	112,731.26	255,000.00	136,200.00	758,931.26
2018	60,000.00	102,531.26	285,000.00	126,000.00	573,531.26
2019	70,000.00	100,131.26	310,000.00	114,600.00	594,731.26
2020	80,000.00	97,331.26	340,000.00	102,200.00	619,531.26
2021	25,000.00	94,131.26	370,000.00	88,600.00	577,731.26
2022	35,000.00	93,131.26	410,000.00	73,800.00	611,931.26
2023	40,000.00	91,731.26	440,000.00	57,400.00	629,131.26
2024	25,000.00	90,131.26	475,000.00	39,800.00	629,931.26
2025	30,000.00	89,131.26	520,000.00	20,800.00	659,931.26
2026	35,000.00	87,931.26	–	–	122,931.26
2027	40,000.00	86,750.00	–	–	126,750.00
2028	45,000.00	85,400.00	–	–	130,400.00
2029	55,000.00	83,881.26	–	–	138,881.26
2030	60,000.00	82,025.00	–	–	142,025.00
2031	70,000.00	79,925.00	–	–	149,925.00
2032	80,000.00	77,475.00	–	–	157,475.00
2033	85,000.00	74,475.00	–	–	159,475.00
2034	95,000.00	71,287.50	–	–	166,287.50
2035	110,000.00	67,725.00	–	–	177,725.00
2036	120,000.00	63,600.00	–	–	183,600.00
2037	130,000.00	58,800.00	–	–	188,800.00
2038	145,000.00	53,600.00	–	–	198,600.00
2039	160,000.00	47,800.00	–	–	207,800.00
2040	175,000.00	41,400.00	–	–	216,400.00
2041	190,000.00	34,400.00	–	–	224,400.00
2042	205,000.00	26,800.00	–	–	231,800.00
2043	225,000.00	18,600.00	–	–	243,600.00
2044	240,000.00	9,600.00	–	–	249,600.00
Total	$3,115,000.00	$2,187,402.26	$3,860,000.00	$959,468.89	$10,121,871.15

PLAN OF FINANCE

The Projects

The District intents to apply the net proceeds of sale of the Series A Bonds to various capital improvements included on the Project List approved by the voters at the 2014 Election. The Board of Trustees retains the ability to set priorities among listed Projects, in order to meet the needs of the District and its students. The Project List includes the following components:

- ***Modernization/Classroom Upgrade Projects:***

Install energy-efficient systems, energy-efficient heating, ventilation and cooling systems for cost savings and energy efficiency; replace existing window systems with energy-efficient systems; replace older ceilings, heating, ventilation, air conditioning and lighting systems with building code-compliant, energy-efficient systems; paint, re-floor and improve ceilings, doors and hardware existing classrooms; upgrade all facilities to comply with Americans with Disability Act (ADA) requirements and current building codes.

- ***Replacing Portables with Permanent Facilities:***

Replace existing portables nearing the end of their useful lives with permanent facilities.

- ***Technology and Infrastructure Improvements:***

Make infrastructure improvements at all facilities to increase campus connectivity to support educational programs and permit District students to achieve competence in the use of computers and access to the internet.

- ***Furnishings and Equipment:***

Furnish and equip classrooms, science labs and multipurpose rooms and facilities, with a focus on the acquisition of desks, tables, chairs and shelving that can be reconfigured for multiple classroom uses.

- ***Collaboration Spaces:***

Construct or reconfigure spaces adjacent to classrooms that can be used for break-out activities, small group assignments, tutoring and team teaching.

- ***Fitness and Indoor Play Areas/Locker Rooms:***

At the middle school, create, furnish and equip indoor fitness space supporting physical education, which can be used for gatherings during inclement weather and on days with unhealthy air quality; at the middle school, upgrade and modernize all locker room facilities.

- ***Playfield Improvements:***

Upgrade playfields, hard courts, tracks, fitness stations and equipment storage facilities at all schools; add shade structures at play areas; upgrade and replace playground equipment to meet current safety standards.

- ***Food Service Upgrades/Expansion and Covered Dining:***

Modernize and improve the District's multipurpose rooms and kitchen facilities to accommodate students during meal and snack times; add shade structures for students to take outdoor meals and snacks.

- ***Library/Media Center Upgrades:***

Update the Library/Media Center for student accessibility; add technology upgrades to Library/Media Center to aid in student access to technology.

- ***Student Services Facilities:***

Create spaces to provide services to students and parents, including a parent center, a community-based health clinic and spaces for professional development and staff meetings.

- ***Parking, Drop-Off Safety Improvements:***

Improve driveways, turnouts and access points to provide safer student drop-off; build or improve parking lots with sufficient capacity for busses and private vehicles; add pedestrian walkways to improve traffic flow around schools.

- ***Security and Classroom Buildings Systems:***

Install new security systems, such as security (surveillance) cameras, outdoor lighting, perimeter fencing, gates and classroom door locks and related electrical systems; upgrade emergency communication systems; upgrade fire alarm systems to automatic systems, repair and replace fire safety equipment, add sprinklers and fire safety doors; upgrades to schools in order to meet handicap accessibility requirements; replace/upgrade existing signage, bells and clocks; make Heating, Ventilation and Air Conditioning (HVAC) improvements at all schools.

- ***Water Filtration and Plumbing Systems:***

Undertake plumbing and site utility upgrades in order to address poor water quality in the area and install water filtration systems where necessary.

- ***Outdoor Learning, Hardscapes and Landscaping:***

Improve exterior spaces at all schools to permit their use for outdoor learning; landscape exteriors to minimize water use and increase flexibility in outdoor learning; furnish outdoor learning spaces, as appropriate.

The Refunding

The net proceeds of the sale of the Refunding Bonds will be used to effect an advance refunding of the Refunded Bonds and to provide for the costs of issuance of the Refunding Bonds. On the redemption date, amounts available under the Escrow Agreement will be applied to the redemption price of the Refunded Bonds.

The Escrow Agreement provides for the investment of a portion of the proceeds of the Refunding Bonds prior to the redemption date either in State and Local Government Series Securities issued by the Treasury of the United States of America or in certain other government obligations purchased in the open market. The sufficiency of amounts and investment earnings on deposit under the Escrow Agreement and to be paid with respect to the Refunded Bonds will be verified by the Verification Agent. See "VERIFICATION" herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds.

Subsequent to the issuance of the Series A Bonds, $11,885,000 will remain for issuance of additional general obligation bonds under the Authorization.

All general obligation bonds of the District are issued on a parity with one another.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, flood, fire, drought, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal and interest on the District's outstanding general obligation bonds, including the Bonds.

On January 17, 2014, the Governor declared a State-wide Drought State of Emergency. As of such date, the State faces water shortfalls due to the driest year in recorded State history; California's river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures, including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

The District's fiscal year 2014-15 total assessed valuation of property within its boundaries is $1,176,621,514. Shown in the following tables are the assessed valuations of property in the District during the past seven fiscal years, fiscal year 2014-15 assessed valuation and parcels by land use and the twenty largest secured taxpayers in the District for fiscal year 2014-15.

ARVIN UNION SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2008-09 THROUGH 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total
2008-09	$804,622,667	$455,527,248	$15,898,910	$1,276,048,825
2009-10	791,567,566	489,132,557	16,805,569	1,297,505,692
2010-11	778,485,825	484,927,248	18,246,780	1,281,659,853
2011-12	733,603,609	433,720,198	21,786,444	1,189,110,251
2012-13	752,420,024	372,320,198	23,204,841	1,147,945,063
2013-14	776,008,797	363,620,198	16,546,742	1,156,175,737
2014-15	809,560,825	343,425,198	23,635,491	1,176,621,514

Source: California Municipal Statistics, Inc.

ARVIN UNION SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 275,551,023	23.90%	1,023	20.57%
Commercial/Office	22,398,874	1.94	115	2.31
Vacant Commercial	1,993,164	0.17	25	0.50
Industrial	177,271,227	15.37	90	1.81
Vacant Industrial	1,785,190	0.15	13	0.26
Power Plant/Local Utility Roll	343,425,198	29.79	4	0.08
Government/Social/Institutional	5,250,266	0.46	68	1.37
Subtotal Non-Residential	$ 827,674,942	71.79%	1,338	26.91%
Residential:				
Single-Family Residence	$ 279,525,054	24.24%	2,735	55.00%
Mobile Home	3,808,758	0.33	148	2.98
Mobile Home Park	2,978,583	0.26	6	0.12
2-4 Residential Units	19,187,352	1.66	222	4.46
5+ Residential Units/Apartments	6,322,789	0.55	15	0.30
Vacant Residential	13,488,545	1.17	509	10.24
Subtotal Residential	$ 325,311,081	28.21%	3,635	73.09%
Total	$1,152,986,023	100.00%	4,973	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

ARVIN UNION SCHOOL DISTRICT
2014-15 Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total[1]
1.	Pastoria Energy Facility LLC	Power Plant	$343,405,000	29.78%
2.	National Cement Company of California	Industrial	75,994,875	6.59
3.	Tejon Ranch Co.	Industrial	55,113,432	4.78
4.	Grimmway Enterprises Inc.	Industrial	42,563,943	3.69
5.	Anthony Vineyards Inc.	Industrial	32,279,889	2.80
6.	Crystal Organic Farms LLC	Agricultural	14,576,780	1.26
7.	Farmland Reserve Inc.	Agricultural	14,239,771	1.24
8.	Diamond Farming Co.	Agricultural	13,061,205	1.13
9.	Delano Farms Co. Inc.	Agricultural	12,462,861	1.08
10.	Giumarra Vineyards Corp.	Agricultural	11,607,112	1.01
11.	Blue River Farms LLC	Agricultural	8,684,802	0.75
12.	Longbow LLC	Industrial	5,950,900	0.52
13.	Fowler Packing Co. Inc.	Agricultural	5,911,071	0.51
14.	Fowler Packing Co. Inc.	Agricultural	5,911,071	0.51
15.	Agro Farming Corp.	Agricultural	5,544,939	0.48
16.	C&K Family Trust	Agricultural	5,444,975	0.47
17.	Mzirp Inc.	Agricultural	5,000,755	0.43
18.	California AVIV LLC	Rest Home	4,251,144	0.37
19.	Laguna Creek Vineyard Partnership	Agricultural	3,859,625	0.33
20.	Home Grown Packing & Cold Storage LP	Industrial	3,767,124	0.33
			$669,612,228	58.08%

(1) 2014-15 Total Secured Assessed Valuation: $1,152,986,023
Source: California Municipal Statistics, Inc.

Ad Valorem Property Taxes, Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, then a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

Tax Charges and Delinquencies

The County's secured tax roll charges and corresponding delinquencies with respect to property located in the District for the five-year period from fiscal year 2009-10 through 2013-14 are set forth in the following table.

ARVIN UNION SCHOOL DISTRICT
Secured Tax Charges and Delinquencies[1]
Fiscal Years 2009-10 through 2013-14

Fiscal Year	Secured Tax Charge[2]	Amt. Del. June 30	% Del. June 30
2009-10	$ 732,739	$ 9,138	1.25%
2010-11	779,393	8,748	1.12
2011-12	1,072,282	12,186	1.14
2012-13	420,166	4,233	1.01
2013-14	563,845	4,155	0.74

(1) Kern County utilizes the Teeter Plan (see below) for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
(2) Debt service levy only.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. The District knows of no consideration by the County to discontinue the Teeter Plan.

Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 54-017, a typical tax rate area within the District, for fiscal years 2009-10 through 2014-15.

ARVIN UNION SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation (TRA 54-017)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Kern County Water Agency	.026896	.023851	.038514	.026960	.027059	.027754
Arvin Union School District	.040103	.047532	.064709	.043663	.047883	.035486
Kern High School District	.043114	.044697	.036276	.037905	.039160	.036056
Kern Community College District	.009401	.010117	.009057	.008502	.012644	.010450
Total	1.119514%	1.126197%	1.148556%	1.117030%	1.126746%	1.109746%

Source: California Municipal Statistics, Inc.

Certain Existing Obligations

On March 2, 2004, an election was held at which more than fifty-five percent of the voters of the District approved general obligation bonds, which authorized the issuance and sale of $11 million in general obligation bonds (the "2004 Authorization"). In 2004, the District issued its General Obligation Bonds, Election of 2004, Series 2004A in the initial aggregate amount of $5,059,348.30. In 2008, the District issued its General Obligation Bonds, Election of 2004, Series 2008 in the aggregate initial amount of $5,059,874.20. $880,777.50 of the 2004 Authorization remains. Bonds issued under the 2004 Authorization are payable on a parity with the Bonds.

A schedule of the District's changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
General obligation bonds	$10,243,058	$ –	$ 615,000	$ 9,628,058
Accreted interest	1,547,530	360,931	–	1,908,461
Postemployment health benefits	5,004,920	1,943,790	956,083	5,992,627
Compensated absences	186,826	–	21,909	164,917
Early retirement incentive				
CalSTRS	483,532	2,045	73,481	412,096
CalPERS	134,885	29,182	49,075	114,992
PARS	–	76,395	–	76,395
Other	125,000	–	38,000	114,000
Totals	$17,752,751	$2,412,343	$1,753,548	$18,411,546

Source: The District.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of May 1, 2015:

ARVIN UNION SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2014-15 Assessed Valuation: $1,176,621,514

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/15[(1)]
Kern Community College District Safety, Repair and Improvement District	1.383%	$ 2,042,841
Kern High School District	2.301	4,164,608
Arvin Union School District	**100.**	**9,009,222[(2)]**
Tehachapi Valley Healthcare District	0.064	39,697
Kern Delta Water District	0.155	423
Wheeler Ridge-Maricopa Water Storage District	12.502	119,394
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$15,376,185
Less: Wheeler-Ridge Maricopa Water Storage District supported obligations		119,394
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$15,256,791
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Kern County Certificates of Participation	1.231%	$ 1,369,426
Kern County Pension Obligation Bonds	1.231	3,623,270
Kern County Board of Education Certificates of Participation	1.231	505,326
Kern County Joint Community College District Certificates of Participation	1.254	490,491
Kern County Joint Community College District Benefit Obligation Bonds	1.254	1,021,508
Kern High School District Certificates of Participation	2.301	3,472,669
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$10,482,690
OVERLAPPING TAX INCREMENT DEBT:		$ 8,510,000
GROSS COMBINED TOTAL DEBT		$34,368,875[(3)]
NET COMBINED TOTAL DEBT		$34,249,481

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($9,009,222)..0.77%
Total Gross Direct and Overlapping Tax and Assessment Debt........1.31%
Total Net Direct and Overlapping Tax and Assessment Debt...........1.30%
Gross Combined Total Debt..2.92%
Net Combined Total Debt...2.91%

Ratio to Redevelopment Incremental Valuation ($109,011,356):
Total Overlapping Tax Increment Debt...7.81%

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(1) Excludes any bonds sold between preparation date (3/27/15) and dated date (5/1/15).
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent (1%) of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent (1%) property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

Assembly Bill 454 (Chapter 921, Statutes of 1986) ("AB 454") provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property") are allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In 1984, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the one percent (1%) *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 98

On November 8, 1988, voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 guarantees K-14 schools a minimum share of the State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in the State per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend this minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. The Legislature has suspended payment on a number of occasions since voters approved Proposition 98.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools, with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the "Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment." Proposition 30 (1) increases the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (2) increases the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee.

The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 designated the Education Protection Account, and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the Education Protection Account are spent, provided; however, the governing board is required to hold public hearing when making spending decisions and publish annual reports online explaining how the money was spent.

The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Proposition 2

On November 4, 2014, voters approved Proposition 2, also referred to as the "Rainy Day Budget Stabilization Fund Act." Proposition 2 changed the State's existing requirements for the Budget Stabilization Account ("BSA") and establishes a Public School System Stabilization Account ("PSSSA").

Proposition 2 limits the ability of the Governor to suspend or reduce transfers to the BSA. Specifically, the Governor would have to declare a "budget emergency," defined in Article XIIB of the State Constitution or determine that there are insufficient resources to maintain general fund expenditures for the current year, at the highest level of spending in the three most recent fiscal years. Any such declaration must be followed by a legislative bill passed by a majority vote of each house.

Proposition 2 also requires the State Controller to deposit annually 1.5 % of general fund revenues and an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of general fund revenues. Deposits to the BSA are expected to begin no later than October 1, 2015, and such deposits will be made until the BSA balance reaches an amount equal to 10% of general fund revenues. Additionally, from 2015-16 to 2029-30, half of any required transfers to the BSA must be allocated to reduce certain state liabilities, such as unfunded state-level pension plans and making certain payments owed to K-14 school districts.

The PSSSA will be funded by the capital gains-related tax revenues in excess of 8% of general fund revenues. The State may deposit amounts into the PSSSA only after certain conditions are met, including the payment of all amounts owing to school districts under the Proposition 98 maintenance factor and the existence of a "Test 1" year under Proposition 98.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the State Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995, State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996, and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 46 and 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

THE KERN COUNTY TREASURY POOL

The following information concerning the Kern County Treasury Pool (the "Investment Pool" or "Pool") has been provided by the Treasurer and has not been confirmed or verified by the District or the Original Purchaser. No representation is made herein as to the accuracy or adequacy of such *information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

Under the California Education Code, the District is required to pay all moneys received from any source into the County of Kern Treasury to be held on behalf of the District. The Pool consists of monies deposited with the Treasurer by County departments and agencies, school districts, certain non-County governmental agencies and special assessment districts. Most of the Pool's depositors are required by State law to invest their excess moneys in the Pool.

Each depositor is assigned a distinct fund number within the Investment Pool. Cash represented by the fund balances is commingled in a Pooled Cash Portfolio for investment purposes; no funds are segregated for separate investment. Investments are selected from those authorized by California Government Code Section 53635. Authorized investments include obligations of the United States Treasury, agencies of the United States government, federally sponsored enterprises, local and State bond issues, bankers acceptances, commercial paper of prime quality, collateralized and negotiable certificates of deposit, repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities.

Each calendar year, the Treasurer prepares an Annual Statement of Investment Policy (the "Investment Policy") that sets the framework for the investment practices relating to the County treasury. Legislation enacted in 1996 and effective January 1, 1997, requires that the Investment Policy be filed and approved by the Board in open session. Additionally, the Board must determine whether to delegate investment authority to the Treasurer each year. Failure to so delegate transfers investment responsibility to the Board itself. The Board of Supervisors approved the current Investment Policy as presented by the Treasurer and delegated investment responsibility to the Treasurer on December 2, 2014. Having been so approved, the Investment Policy may not be changed without Board approval.

The approved Investment Policy provides that the County's investment objectives are "safety and liquidity of all investments, while obtaining a reasonable return within established investment guidelines." The Investment Policy provides that no more than 6% of the assets in the Pool can be invested in the securities of any single issuer other than the United States Treasury and agencies of the United States government. Investments in reverse repurchase agreements are limited to 10% of the total Pool and must always be matched in maturity to the reinvestment. Additionally, no investment will be made in any security whose coupon rate varies inversely with general credit market rates.

In accordance with California law, the Kern County Board of Supervisors created an eleven-member Treasury Oversight Committee (the "TOC") on April 2, 1996. The statutory role of the TOC is to review the Investment Policy as prepared by the Treasurer and make recommendations to the Board, to monitor policy compliance as well as investment performance and to cause an annual independent audit to be performed. The TOC meets semi-annually to accomplish its tasks.

The following tables present information with respect to the Pool as of March 31, 2015. As described above, a wide range of investments is authorized under State law and the Investment Policy. Therefore, there can be no assurance that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of various investments in the Pool will fluctuate on a daily basis as a result of several factors, including generally prevailing interest rates and other economic conditions. For further information concerning County investments, access the County's website: http://www.kcttc.co.kern.ca.us.

The following table identifies the types of securities held by the Pool as of March 31, 2015.

KERN COUNTY TREASURER – TAX COLLECTOR
Pooled Cash Portfolio Report
(as of March 31, 2015 – amounts in 1,000's)

Asset	Par	Market	Cost	Yield to Maturity	Percent of Total Assets	Policy Limit	Average Maturity	Effective Duration
Pooled Funds	$ 48,523	$ 48,523	$ 48,523	0.26%	1.86%	$50,000	1	0.000
Money Market	19,313	19,313	19,313	0.15	0.74	50,000	1	0.000
Federal Agencies	862,386	864,615	862,773	1.09	33.16	75%	987	2.090
Supranationals	30,000	30,042	30,000	0.97	1.15	10%	952	2.130
Negotiable CD's	435,000	434,974	435,002	0.22	16.72	30%	63	0.170
Commercial Paper	575,000	574,857	574,666	0.22	22.09	40%	43	0.120
Corporate Notes	541,906	550,724	559,890	0.82	21.52	30%	599	1.590
Asset Backed Securities	10,000	10,089	11,119	0.17	0.43	10%	812	0.210
Total Securities	$2,522,128	$2,533,138	$2,541,287	0.66%	97.67%	–	502	0.927
Cash in Banks	$ 60,499	$ 60,499	$ 60,499	–	2.33%	–	–	–
Total Assets	$2,582,627	$2,593,636	$2,601,785	–	100.00%	–	–	–

Source: Kern County Treasurer.

The maturity distribution of the Pool's portfolio as of March 31, 2015, is presented in the following table.

COUNTY OF KERN
Treasury Pool Portfolio Liquidity
(as of March 31, 2015)

Term to Maturity	% of Total
0 – 366 days	53.93%
367 – 1,097 days	31.22
1,098 – 1,827 days	14.84

Source: Kern County Treasurer.

None of the District, the Financial Advisor or the Original Purchaser has made an independent investigation of the investments in the Pool nor have they made any assessment of the current County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

LEGAL OPINION

The legal opinion of Nixon Peabody LLP, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. A copy of the legal opinion will be delivered with the Bonds. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on November 1, 2029 through November 1, 2035, inclusive, and on November 1, 2040 and on November 1, 2044, inclusive (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Bonds maturing on November 1, 2015 through November 1, 2025, inclusive (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the

Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service ("IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as APPENDIX B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. We note that each year since 2011, the President has released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At March 31, 2015, AGM's policyholders' surplus and contingency reserve were approximately $3,730 million and its net unearned premium reserve was approximately $1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Official Purchaser in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

While the District filed its annual reports required by the Rule (each, an "Annual Report") and material event notices, as well as notices of certain listed events specified by the Rule (each, an "Event Notice") required pursuant to its previous continuing disclosure obligations for the past five years, the District's audit for fiscal year 2013-14 was filed 26 days late.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described above. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

VERIFICATION

The sufficiency of amounts and investment earnings on deposit under the Escrow Agreement and to be paid with respect to the Refunded Bonds will be verified by the Verification Agent. The Verification Agent will deliver a report to that effect on the date of delivery of the Refunded Bonds. The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATINGS

The Bonds have been assigned a rating of "AA" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") with the understanding that, upon delivery of the Bonds, the Policy will be issued. See "BOND INSURANCE" herein. S&P has assigned an underlying municipal bond rating of "A" to the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC, as Original Purchaser (the "Original Purchaser"), has agreed to purchase the Series A Bonds from the District at the purchase price of $3,043,014.64 (being the initial principal issue amount of the Series A Bonds, plus net original issue premium of $25,258.15, less amounts to be used to pay certain costs of issuance of $53,145.62, less an underwriter's discount of $35,636.31 and less $8,461.58 used to pay the premium for the Policy), at the rates and yields shown on the inside cover hereof. The Notice of Sale attached hereto as APPENDIX F requires that the Original Purchaser purchase all of the Series A Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Notice of Sale.

The Original Purchaser has also agreed to purchase the Refunding Bonds from the District at the purchase price of $4,036,035.63 (being the initial principal issue amount of the Refunding Bonds, plus net original issue premium of $350,054.10, less amounts to be used to pay certain costs of issuance of $119,373.91, less an underwriter's discount of $44,159.27 and less $10,485.29 used to pay the premium for the Policy), at the rates and yields shown on the inside cover hereof. The Notice of Sale attached hereto as APPENDIX F requires that the Original Purchaser will purchase all of the Refunding Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Notice of Sale.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., the underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Original Purchaser intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Original Purchaser may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Original Purchaser.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates (the "Financial Advisor") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Fieldman, Rolapp & Associates, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District and the Resolution may be obtained by contacting: Arvin Union School District, 737 Bear Mountain Boulevard, Arvin, California 93203, Attention: Superintendent. The District may impose a fee for copying, shipping and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

ARVIN UNION SCHOOL DISTRICT

By: /s/ Dr. Michelle McLean
Superintendent

APPENDIX A

THE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Arvin Union School District (the "District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem *tax revenues collected by the County of Kern (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the District. The Bonds are and will continue to be payable solely from* ad valorem *taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."*

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem *property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the "State') or any of its other political subdivisions or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.*

District General Information

The District was established in 1913 and is comprised of an area of approximately 270 square miles located in the County. The District serves students from kindergarten through grade eight. The District operates three K-6 elementary schools and one middle school. The District's average daily attendance for fiscal year 2013-14 was 3,003 and the District has a fiscal year 2014-15 assessed valuation of $1,176,621,514. The District projects an average daily attendance for fiscal year 2014-15 of 2,968.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Superintendent, Arvin Union School District, 737 Bear Mountain Boulevard, Arvin, California 93203.

District Organization

The District is governed by a Board of Trustees (the "Governing Board") consisting of five members. Members are elected to four-year terms in alternate slates of two and three. Elections are held every two years. Current members of the Governing Board, together with their offices and the dates their terms expire, are listed below:

ARVIN UNION SCHOOL DISTRICT
BOARD OF TRUSTEES

Name	Office	Term Expires
Anabel Rubio	President	November 2018
Jim Arvizu	Clerk	November 2016
Toni Pichardo	Member	November 2018
Geri Rivera	Member	November 2018
Maria G. Ortiz	Member	November 2016

Key Personnel

The following is a listing of the key administrative personnel of the District:

Name	Title
Dr. Michelle McLean	Superintendent
Chris Davis	Chief Business Officer

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Governing Board.

Brief biographies of the Superintendent and the Chief Business Officer follow:

Dr. Michelle McLean, Superintendent. Dr. Michelle McLean is in her fifth year as Superintendent of the Arvin Union School District, and is also an Adjunct Professor at Point Loma University, where she teaches administration, English-Learner, and Special Education courses. Michelle previously worked for the Bakersfield City School District for sixteen years, serving twelve of those years as an administrator, and taught for nine years as a bilingual teacher. Dr. McLean's consulted in the areas of school improvement and effective English Language Development strategies in California and Nevada, and presented at the National Title One, the National Association of Elementary School Principals, and national ACSD Conferences on effective methods of structured English immersion and school improvement. Michelle has served Latino students her entire career in both rural and urban settings, and she credits her early adolescent experiences of living in Kuala Lumpur, Malaysia, and Quito, Ecuador with igniting her passion for education and social justice.

Chris Davis, Chief Business Officer. Mr. Davis has been with the Arvin Union School District since May of 2008. Prior to his work with Arvin, he worked for the Kern County Superintendent Schools (KCSOS), in the District Advisory department. Additionally, he was also a substitute teacher while completing his bachelor's degree. Chris graduated with his bachelor's degree in Business Administration from California State University, Bakersfield (CSUB) in 2005 and his Master's degree in Administration from CSUB in 2010. In 2007, Chris completed a yearlong Chief Business Official training program administered by CSUB and KCSOS, using the State-adopted curriculum.

District Growth

The table below sets forth the enrollment for Average Daily Attendance ("ADA") for the District for fiscal years 2009-10 through 2013-14 and projections for fiscal year 2014-15.

ARVIN UNION SCHOOL DISTRICT
TOTAL AVERAGE DAILY ATTENDANCE

Fiscal Year	Average Daily Attendance
2009-10	3,163
2010-11	3,196
2011-12	3,038
2012-13	3,003
2013-14	3,003
2014-15[1]	2,968

[1] Projected.
Source: The District.

District Employees

As of June 30, 2014, the District employed 161 full-time equivalent certificated academic professionals as well as 71 full-time equivalent classified employees. In addition, as of such date, the District employed 99 part-time employees. The certificated employees of the District have assigned the California Teachers Association ("CTA") as their exclusive bargaining agent. The certificated employees' contract with CTA expires on June 30, 2016. The classified employees have assigned California School Employees Association ("CSEA") as their exclusive bargaining agent. The classified employees contract with CSEA expires on June 30, 2015.

Pension Plans

The District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated employees. The District's employer contribution to STRS was $1,138,842 for fiscal year 2013-14, and is projected to be $1,173,758 for fiscal year 2014-15.

The District also participates in the State Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's employer contribution to CalPERS was $419,857 for fiscal year 2013-14, and estimates a contribution of $453,098 in fiscal year 2014-15. The District is currently required to contribute to CalPERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16.

Both CalPERS and STRS are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Both PERS and STRS have substantial State unfunded actuarial liabilities. The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Unlike typical defined benefit programs, however, neither the STRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. However, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS has increased significantly. The District is unable to predict what the STRS program liabilities will be in the future. In order to address STRS funding inadequacies, the Governor signed AB 1469, which sets forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities are approximately $275 million. The contributions would increase in subsequent years, reaching more than $5 billion annually. Governor Brown expects that this will eliminate the unfunded liability in approximately 30 years. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter with the goal of eliminating the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, contribution rates for the State's K-14 districts will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

On August 28, 2012, Governor Brown signed AB 340, establishing the California Public Employees' Pension Reform Act of 2012 ("PEPRA"), which governs pensions for public employers and public pension plans on and after January 1, 2013. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees, depending on job function, (ii) caps pensionable salaries; (iii) addresses abuses of the system and (iii) requires State, school, and certain city and local agency employees to pay at least half of the cost of their PERS pension benefits. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any specific impact PEPRA would have on the District's pension obligations at this time.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may subsequently be required to make.

Other Post-Employment Benefits

Plan Description for Classified Employees. The District currently provides retiree and dependent medical coverage to eligible classified employees. Persons employed before July 1, 1991, are eligible to receive benefits if they retire between the age of 50 and 65 with five years or more service. Persons employed after July 1, 1991, are eligible to receive benefits if they retire between the age of 55 and 65 with ten years or more service. Persons employed after July 1, 1999, are eligible to receive benefits if they retire between the age of 55 and 65 with fifteen years or more service.

Persons who meet the above eligibility requirements receive medical, dental and vision insurance until they reach the age of 65. The eligible employees' spouse and eligible dependents are also covered for the same period. Persons employed prior to July 1, 1997, receive medical and prescription coverage until the age of 75, if the retiree is enrolled in Medicare. Retirees in this group may receive dental and vision insurance if they pay the premiums.

Persons retiring with less than 15 years of service are not eligible to receive medical benefits on a self-pay basis. A person retiring with 15 years or more service is eligible to receive medical benefits up to $16,646 for fiscal year 2014-15 (The maximum for most employees was $16,646 for fiscal year 2014-15). Currently, nine (9) employees meet those eligibility requirements.

Retirees' coverage ends the date the plan terminates or the date the retiree terminates coverage. In the instance of self-paid and partial paid retiree benefits, the coverage will be terminated when payment is 90 days past due. Dependent coverage terminates the date he/she ceases to be a dependent.

Plan Description for Certified Employees. The District currently provides retiree and dependent medical coverage to eligible certified employees. Persons employed prior to July 1, 1993, who have attained the age of 55 and have served as a regular certificated employee in the District for at least seven and one-half consecutive years may receive medical, dental, and vision insurance on the same basis as regular employees. Persons employed after July 1, 1993, who have attained the age of 55 and have served as regular certificated employees in the District for at least fifteen consecutive years may receive medical, dental and vision insurance on the same basis as regular employees.

Persons retiring with less than 15 years of service are not eligible to receive medical benefits on a self-pay basis. A person retiring with 15 years or more service is eligible to receive medical benefits up to $16,248 for fiscal year 2014-15 (the maximum for most employees was $16,248 for fiscal year 2014-15). Currently, 19 employees meet those eligibility requirements.

For employees whose first paid date of contract services was on or after July 1, 1993, and who subsequently qualify for the foregoing age of 55 and 15 year retiree service benefit, the District will pay its portion of the insurance premium until the retiree reaches age 65. After age 65, such retirees may continue coverage at their own expense.

Retirees' coverage ends the date the plan terminates or the date the retiree terminates coverage. In the instance of self-paid and partial paid retiree benefits, the coverage will be terminated when payment is 90 days past due. Dependent coverage terminates the date he/she ceases to be a dependent.

Funding Policy. The District currently finances benefits on a pay-as-you-go basis for health premiums. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year 2012-13, the District contributed $946,774 for premiums. For fiscal year 2013-14, the District contributed $979,748 for premiums. The District has budgeted a contribution of $1,000,000 for fiscal year 2014-15 for health premiums.

The District has transferred $3,791,473 (cash balance as of June 30, 2014) to a special reserve fund to fund its outstanding liability with respect to its post-employment benefits. This fund has not been irrevocably pledged towards the District's liability, however, and may be accessed by the District upon Board action.

Insurance

The District participates in a joint powers agreement (the "JPA") for insurance programs with Self Insured Schools of California ("SISC"). The JPA provides property and liability insurance coverage, health and welfare benefits, and workers compensation insurance coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

State Funding of Education

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment ("State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District.

Historically, approximately 85% of the District's annual General Fund revenues (unrestricted) have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments, and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

On June 27, 2013, the State adopted a new method for funding school districts commonly referred to as the "Local Control Funding Formula (the "LCFF"). The LCFF will be implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2020-21. See "– *Local Control Funding Formula*" below for more information. Prior to adoption of the LCFF, the State used a revenue limit funding system, described below under "– *Revenue Limit Funding*."

Revenue Limit Funding. School districts in the State have historically received most of their revenues under a formula known as the "revenue limit." Generally, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. The revenue limit system of funding has been replaced by the LCFF. A description of the revenue limit system is included herein as the District has historically received financial assistance from the State pursuant to this method of appropriations.

Each school district's revenue limit, which was funded by State moneys and local *ad valorem* property taxes from the general 1% *ad valorem* property tax levy, was allocated based on the ADA of each school district for either the current or preceding school year. Generally, State Aid to a school district amounted to the difference between the school district's revenue limit and the school district's local property tax allocation from the general 1% *ad valorem* property tax levy.

Local Control Funding Formula. Effective in fiscal year 2013-14, the State established the LCFF, a new system for funding school districts, charter schools and county offices of education. The LCFF replaces the revenue limit funding system, as well as many categorical programs. The LCFF distributes State resources to schools through a guaranteed base funding grant per unit of ADA (a "Base Grant"). The Base Grants per unit of ADA for each grade span are: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Implementation of the LCFF is expected to take several years, ending in fiscal year 2020-21. An annual transition adjustment is calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. Beginning in fiscal year 2014-15, the Base Grants are adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget.

The Base Grants for grades K-3 are subject to adjustments of 10.4% to cover the costs of class size reduction. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. The Base Grants for grades 9-12 are subject to adjustments of 2.6% for the provision of career technical education.

School districts that serve students of limited English proficiency ("EL" students), students from low-income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated; if the school district has students with both limited English proficiency and eligibility for reduced price meals, for instance, such students will not be duplicated for purposes of determining the additional funding grants. Foster youths automatically qualify for free or reduced priced meals. A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 and 2013-14.

ARVIN UNION SCHOOL DISTRICT
FISCAL YEAR 2013-14
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE

	Average Daily Attendance				Enrollment	
Fiscal Year	**K-3**	**4-6**	**7-8**	**Total ADA**	**Total Enrollment**	**% of EL/LI Enrollment**
2012-13	1,361	996	674	3,031	3,119	96.29%
2013-14	1,412	936	687	3,035	3,151	95.59%

Source: The District.

The LCFF provides for a permanent economic recovery target ("ERT") add-on for school districts that would have received greater funding levels under the revenue limit system. The ERT is equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes.

Beginning July 1, 2014, school districts are required to develop a three-year Local Control and Accountability Plan (each, an "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to the districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to the district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

State Assistance

Districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following discussion of the California State budget has been obtained from publicly available information which the District believes to be reliable; however neither District nor the Original Purchaser guarantee the accuracy or completeness of this information and have not independently verified such information. ***Additional information regarding State budgets is available at various State-maintained websites, including <u>www.dof.ca.gov.</u>*** These websites are not incorporated herein by reference and neither the District, the Financial Advisor nor the Original Purchaser makes any representation as to the accuracy of the information provided therein.

Fiscal Year 2014-15 State Budget

On June 20, 2014, Governor Brown signed the fiscal year 2014-15 State Budget Act (the "2014-15 State Budget"). The 2014-15 State Budget included approximately $109.3 billion in State General Fund resources (including revenues, transfers and prior year balance) and approximately $108.0 billion in planned State General Fund expenditures. $1.6 billion in State General Fund revenues will be transferred to a budget stabilization fund. The 2014-15 State Budget included approximately 7.2 percent State General Fund spending increase from the State's fiscal year 2013-14 budget. The 2014-15 State Budget included approximately $10 billion more in Proposition 98 funding than in fiscal year 2013-14.

The 2014-15 State Budget also assumed a proposed constitutional amendment to strengthen California's reserve fund. The constitutional amendment would, among other things, create a Proposition 98 reserve, whereby spikes in funding would be saved for future years of decline, designed to minimize cuts during times of economic downturn. The establishment of such a reserve would not affect the guaranteed level of funding for school districts under Proposition 98.

The 2014-15 State Budget included an amendment to the Education Code ("SB 858") which provides, commencing with budgets adopted for the 2015–16 fiscal year that if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board of the district must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which limits the amount of reserves that may be maintained at the district level. This proposed reserve fund "cap" became effective upon the passage of Proposition 2 on the November 4, 2014 statewide ballot. Under certain circumstances, this provision could limit the District's ability to maintain reserves above a certain level. The District cannot predict whether future conditions precedent to such cap will occur, or how this legislation will impact its reserves and future spending.

The 2014-15 State Budget included the following significant adjustments affecting K-12 school districts:

- K-12 Deferrals – The 2014-15 State Budget repays nearly $4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the recent economic downturn, leaving an outstanding balance of less than $900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring the remaining deferral balance.

- Local Control Funding Formula – An increase of $4.75 billion Proposition 98 General Fund to continue the State's transition to the LCFF. This increase will close the remaining funding implementation gap by more than 29 percent. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Mandates – An increase of $400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments.

- Career Technical Education Pathways Program – An increase of $250 million in one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-12 local educational agencies. Established in the 2013-14 State Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

Governor's Proposed 2015-16 Budget

On January 9, 2015, Governor Brown released his proposed fiscal year 2015-16 budget (the "2015-16 Proposed State Budget"). The 2015-16 Proposed State Budget projects general fund revenues in the amount of $108 billion in fiscal year 2014-15 and $113.4 billion in fiscal year 2015-16. Revenue for fiscal year 2014-15 is forecast to be $2.5 billion greater than the amount forecast at the 2014 Budget Act. Revenue for fiscal year 2015-16 is forecast to be $1 billion greater than the amount forecast for the 2014 Budget Act.

Despite the recent budgetary improvements as compared to recent years, the 2015-16 Proposed State Budget acknowledges that the State continues to have hundreds of billions of dollars in existing liabilities, such as unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure which need to be addressed. Furthermore, the 2015-16 Proposed State Budget observes several risks that the State should plan for, including the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government and the 2015-16 Proposed State Budget's heavy dependency on the performance of the stock market in fiscal year 2015-16.

Under the 2015-16 Proposed State Budget, general fund expenditures for fiscal year 2015-16 are $113.3 billion (an increase of $1.5 billion from fiscal year 2014-15 general fund expenditures), of which $47.1 billion (41.6%) is allocated to K-12 education. The 2015-16 Proposed State Budget provides Proposition 98 funding of $65.7 billion for fiscal year 2015-16, as well as an additional $2.3 billion and $400 million for fiscal years 2014-15 and 2013-14, respectively.

Total per-pupil expenditures from all sources are projected to be $13,223 in fiscal year 2014-15 and $13,462 in fiscal year 2015-16, including funds provided for prior year "settle-up" obligations. Ongoing K-12 Proposition 98 per-pupil expenditures are $9,667 in fiscal year 2015-16, an increase of $306 per-pupil over the level provided in 2014-15. The 2015-16 Proposed State Budget notes that attendance in public schools grew in fiscal year 2010-11 and fiscal year 2011-12, declined slightly in fiscal year 2012-13, increased again in fiscal year 2013-14 and is projected to grow further in fiscal year 2014-15 and decline slightly in fiscal year 2015-16. For fiscal year 2014-15, K-12 Average Daily Attendance ("ADA") is estimated to be 6,000,733, an increase of 8,166 from fiscal year 2013-14. K-12 ADA is estimated to drop by 585 in fiscal year 2015-16 to 6,000,148.

The 2015-16 Proposed State Budget also provides a third-year investment of $4 billion in the Local Control Funding Formula, which is expected to eliminate more than 32% of the remaining funding gap between actual funding and the target level of funding. This investment builds upon the almost $6.8 billion provided over the last two years.

The 2014-15 Proposed State Budget included the following significant adjustments affecting California K-12 school districts:

- K-12 Deferrals—An increase of almost $900 million in one-time Proposition 98 general funds in fiscal year 2015-16 to eliminate all remaining outstanding deferral debt for K-12. Inter-year deferrals for K-12 had reached a high of $9.5 billion in fiscal year 2011-12.

- Emergency Repair Program—An increase of $273.4 million in one-time Proposition 98 general fund resources for the Emergency Repair Program. This funding will retire the state's facilities funding obligation under the terms of an existing lawsuit settlement agreement.

- School District Local Control Funding Formula—Additional growth of approximately $4 billion in Proposition 98 general funds for school districts and charter schools in fiscal year 2015-16, an increase of 8.7 percent.

- County Offices of Education Local Control Funding Formula—An increase of $109,000 Proposition 98 general funds to support a cost-of-living adjustment for those county offices of education at their target funding level under the formula.

- Charter Schools—An increase of $59.5 million Proposition 98 general funds to support projected charter school ADA growth.

- Special Education—An increase of $15.3 million Proposition 98 general funds to reflect a projected increase in Special Education ADA.

- Cost-of-Living Adjustment Increases—An increase of $71.1 million to support a 1.58-percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and charters schools are provided within the increases for school district Local Control Funding Formula implementation noted above.

- Local Property Tax Adjustments—A decrease of $11.4 million Proposition 98 general funds for the school district and county office of education in fiscal year 2014-15 as a result of higher offsetting property tax revenues. A decrease of $1.7 billion in Proposition 98 general funds for school districts and county offices of education in fiscal year 2015-16 as a result of increased offsetting local property tax revenues.

- Average Daily Attendance—An increase of $197.6 million in fiscal year 2014-15 for school districts and county offices of education as a result of an increase in projected ADA from the 2014 Budget Act, and a decrease of $6.9 million in fiscal year 2015-16 for school districts and county offices of education as a result of projected decline in ADA for fiscal year 2015-16.

- Full-Day State Preschool Slots—An increase of $14.8 million Proposition 98 general funds and $18.8 million non-Proposition 98 general funds to support 4,000 State Preschool slots with full-day wraparound care. These slots were established in the 2014 Budget Act as of June 15, 2015 (for 15 days in fiscal year 2014-15) and these increases reflect the difference in full-year cost for these slots in fiscal year 2015-16.

May Revision. On May 14, 2015, the Governor released his May revision (the "May Revision") to the 2015-16 Proposed State Budget. The following information is extracted from the Department of Finance ("DOF") summary of 2015-16 Proposed State Budget, included on the DOF website at www.dof.ca.gov. The information presented on such website is not incorporated herein by this reference.

The May Revision assumes continued improvements in the State and national economies, generating higher capital gains tax collections for the State. The May Revision allocates the bulk of such higher collections towards education funding, additional deposits to the Budget Stabilization Account ("BSA") and additional payments towards outstanding State special fund loans.

After accounting for transfers to the BSA, the May Revision projects year-end general fund revenues for fiscal year 2014-15 to be $111.3 billion, approximately $3.3 billion higher than projected in the 2015-16 Proposed State Budget. State general fund expenditures are also expected to increase by approximately $2.8 billion, for a year-end total of $114.5 billion. The May Revision projects that the State will end fiscal year 2014-15 with a surplus of $3 billion, composed of a $1.4 billion balance in the general fund reserve and a $1.6 billion balance in the BSA. For fiscal year 2015-16, the May Revision projects State general fund revenues of $115 billion, approximately $1.7 billion higher than previously projected. The May Revision would authorize State general fund expenditures of $115.3 billion, an increase of $2 billion from the level in the 2015-16 Proposed State Budget. The State is projected to end fiscal year 2015-16 with a $4.6 billion general fund surplus, composed of a $1.1 billion balance in the general fund reserve and $3.5 billion in the BSA.

The May Revision includes revised estimates of the minimum funding guarantees for schools for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum funding guarantee is set at $58.9 billion, an increase of $241 million above the revised level included the 2015-16 Proposed State Budget. The fiscal year 2014-15 minimum funding guarantee is set at $66.3 billion, an increase of $3.1 billion from the revised level included in the 2015-16 Proposed State Budget.

For fiscal year 2015-16, the May Revision revises the Proposition 98 minimum funding guarantee to $68.4 billion, an increase of approximately $2.7 billion from the level included in the 2015-16 Proposed State Budget. Major adjustments made to education funding in the May Revision include the following:

- LCFF – An additional $2.1 billion in funding to continue implementation of the LCFF, for a total of $6.1 billion. The May Revision estimates that this would close approximately 53% of the remaining funding gap.

- Career Technical Education – An additional $150 million in fiscal year 2015-16 for the competitive grant initiative that supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. The May Revision also anticipates additional funding of $50 million for CTE in fiscal year 2016-17 and reduces the amount estimated for fiscal year 2017-18 by $25 million, when compared to levels in the 2015-16 Proposed State Budget.

- Quality Education Investment Act – An increase of $4.6 million in one-time Proposition 98 funding to provide half of the final apportionment of QEIA funding for selected school districts in 2015-16 that do not qualify for concentration grant funding under the LCFF. This funding is intended to ease the transition for those districts with concentrations of EL/LI students that will no longer receive funds under the QEIA.

- Local Property Tax Adjustments – Total Proposition 98 funding levels for school districts, special education local plan areas and county offices of education in fiscal years 2014-15 and 2015-16 would be reduced by $123.3 million and $224 million, respectively, to reflect higher offsetting property tax collections.

- Proposition 39 – A decrease in the amount of funds available under Proposition 39 to K-12 school districts in 2015-16 by $6.7 million to reflect reduced State corporate tax revenue estimates.

- Categorical Programs – A reduction of $18.4 million in Proposition 98 funding for selected categorical programs, based on updated ADA growth estimates. The May Revision also decreases Proposition 98 funding by $22.1 million for select categorical programs, to reflect a change in the COLA for such programs from 1.58% (as provided in the Proposed Budget) to 1.02%.

- Special Education – The May Revision proposes $60.1 million of Proposition 98 funding (composed of $50.1 million of ongoing funding and $10 million of one-time funds) to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce on special education formed in 2013, as well as to make targeted investments designed to improve service delivery and outcomes for disabled students.

Financial Statements of the District

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14."

The following table contains accounting data abstracted from financial statements prepared by the District's independent auditors for the fiscal years ended June 30, 2012, 2013 and 2014.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2012 THROUGH JUNE 30, 2014

	Fiscal Year 2011-12	**Fiscal Year 2012-13**	**Fiscal Year 2013-14**
Revenues			
Revenue Limit Sources	$16,060,832	$15,631,732	$20,590,293
Federal Sources	5,861,614	5,712,131	6,136,287
Other State Sources	6,848,385	5,607,987	3,730,571
Other Local Sources	1,827,309	3,561,020	3,475,925
Total Revenues	$31,115,008	$30,512,870	$33,933,076
Expenditures			
Current			
Instruction	$16,567,054	$17,893,026	$19,951,365
Instruction-related Activities			
Supervision of instruction	779,569	749,927	889,684
Instructional library, media and technology	603,569	606,412	675,489
School site administration	1,688,825	1,723,417	1,659,149
Pupil Services			
Home-to-school transportation	447,007	472,175	433,778
Food services	2,081,884	2,283,863	2,755,180
All other pupil services	1,121,155	1,236,271	1,208,555
Administration			
Data processing	177	361	399
All other general administration	1,599,423	1,646,443	1,495,100
Plant services	2,720,194	2,891,922	3,112,071
Facilities acquisition and construction	124,005	38,800	0
Other outgo	1,980,693	1,793,796	1,514,962
Enterprise services			
Debt service			
Principal	636,345	680,440	775,556
Interest and other	348,584	345,980	345,448
Total Expenditures	$30,698,484	$32,362,833	$34,816,736
Excess of Revenues Over Expenditures	$ 416,524	$ (1,849,963)	$ (883,660)
OTHER FINANCING SOURCES (Uses)			
Other sources	0	0	0
NET CHANGE IN FUND BALANCES	$ 416,524	$32,362,833	$34,816,736
Fund Balances – Beginning	13,801,325	14,217,849	12,367,886
Fund Balances – Ending	$14,217,849	$12,367,886	$11,484,226

Source: Audited Financial Statements of the District.

Budgets of District

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

School districts in California must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls.

Furthermore, county superintendent of schools offices are required to review district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one.

Presented on the following page are the District's Adopted Budgets for fiscal years 2013-14 and 2014-15 along with the 2014-15 First Interim numbers. The District adopted its budget for fiscal year 2014-15 on June 16, 2014.

ARVIN UNION SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGETS
FISCAL YEARS 2013-14 AND 2014-15[1]

	Adopted 2013-14 Budget	Adopted 2014-15 Budget	2014-15 First Interim
Revenues			
LCFF Sources	$16,258,180	$23,748,859	$23,935,442
Federal Revenue	3,356,247	3,459,579	3,486,251
Other State Revenue	6,229,483	2,679,657	2,679,657
Other Local Revenue	409,336	388,139	388,139
Total Revenue	$26,253,247	$30,276,235	$30,489,490
Expenditures			
Certificated Salaries	$12,083,938	$12,608,002	$12,624,001
Classified Salaries	3,336,917	3,632,136	3,642,135
Employee Benefits	6,612,010	6,784,038	6,786,419
Books and Supplies	1,295,464	2,183,362	1,668,412
Services and Other Operating Expenditures	2,098,226	2,958,514	2,970,903
Capital Outlay	100,000	311,200	761,341
Other Outgo (excluding Transfers of Indirect Costs)	1,000,000	1,000,000	1,000,000
Other Outgo – Transfers of Indirect Costs	(10,078)	(10,078)	(10,078)
Total Expenditures	$26,516,480	$29,467,174	$29,443,136
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources and Uses	$ (263,232)	$ 809,061	$ 1,046,354
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	500,000
Total Other Financing Sources (Uses)	0	0	500,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources/Uses	$ (263,232)	$ 809,061	$ 546,354
Beginning Fund Balance, July 1	2,684,539	1,774,015	1,774,015
Ending Fund Balances, June 30	$ 2,421,307	$ 2,583,076	$ 2,320,369

[1] Totals may not foot due to rounding.
Source: The District.

APPENDIX B-1

FORM OF BOND COUNSEL OPINION FOR SERIES A BONDS

[Closing Date]

Board of Trustees
Arvin Union School District
737 Bear Mountain Boulevard
Arvin, California 93203

Re: Arvin Union School District (Kern County, California)
$3,115,000 General Obligation Bonds, Election of 2014, Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Arvin School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $3,115,000 aggregate principal amount of its General Obligation Bonds, Election of 2014, Series 2015A (the "Bonds"). The Bonds are issued pursuant to Section 53506 *et seq*. of the Government Code of the State of California, as amended, and the resolution adopted by the Board of Trustees of the District on April 21, 2015 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.

2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, as set forth in the Resolution.

3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

   Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

6. Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on November 1, 2029 through November 1, 2035, inclusive, and on November 1, 2040 and November 1, 2044 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 through 6, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

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APPENDIX B-2

FORM OF BOND COUNSEL OPINION FOR REFUNDING BONDS

[Closing Date]

Board of Trustees
Arvin Union School District
737 Bear Mountain Boulevard
Arvin, California 93203

Re: Arvin Union School District (Kern County, California)
$3,860,000 General Obligation Refunding Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Arvin Union School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $3,860,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2015A (the "Bonds"). The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended, and the resolution adopted by the Board of Education of the District on April 21, 2015 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.

2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the Resolution.

3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

   Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraph 4 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraph 4 and 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2013-14

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ARVIN UNION SCHOOL DISTRICT

KERN COUNTY

ARVIN, CALIFORNIA

JUNE 30, 2014

AUDIT REPORT

PREPARED BY

LINGER, PETERSON, SHRUM & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

ARVIN UNION SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2014

FINANCIAL SECTION

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' 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, 2014, 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.

Auditors' 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 auditors' 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 auditors

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consider 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, 2014, and the respective changes in financial position 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 and budgetary comparison information on Pages 5 - 12, and Page 55 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 combining General Fund financial statements and the combining and individual nonmajor fund financial statements, and 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Arvin Union School District. 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 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 4, 2014 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. 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.

Emphasis of Matter Regarding Change in Accounting Principle

As discussed in Note 1G14 to the financial statements, in 2014 the District adopted new accounting guidance as follows: GASB Statement No. 65, *Items Previously Reported as*

Assets and Liabilities; GASB Statement No. 66, *Technical Corrections-2012*; and GASB 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25.* Our opinion is not modified with respect to these matters.

Linger, Peterson, Shrum & Co.

December 4, 2014

DR. MICHELLE McLEAN
DISTRICT SUPERINTENDENT

GEORGIA RHETT
ASSISTANT SUPERINTENDENT

ARVIN UNION SCHOOL DISTRICT

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

District Office
737 Bear Mountain Blvd.
Arvin, CA 93203

(661) 854-6500
FAX (661) 854-2362

Sierra Vista Elementary School
300 Franklin St.
Arvin, CA 93203

(661) 854-6560
FAX (661) 854-7523

Bear Mountain Elementary School
1501 Hood St.
Arvin, CA 93203

(661) 854-6590
FAX (661) 854-6599

El Camino Real Elementary School
911 El Camino Real
Arvin, CA 93203

(661) 854-6661
FAX (661) 854-2474

Haven Drive Middle School
341 Haven Dr.
Arvin, CA 93203

(661) 854-6540
FAX (661) 854-1440

Family Resource Center
205 So. A St.
Arvin, CA 93203

(661) 854-6533
FAX (661) 854-6559

Family Resource Center Annex
207 So. A St.
Arvin, CA 93203

(661) 854-6525
FAX (661) 854-6585

ARVIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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, 2014.

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 $33,933,076 and expenditures were $34,816,736, which caused a decrease in fund balance of $883,660.

Overview of the Financial Statements:

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

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

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

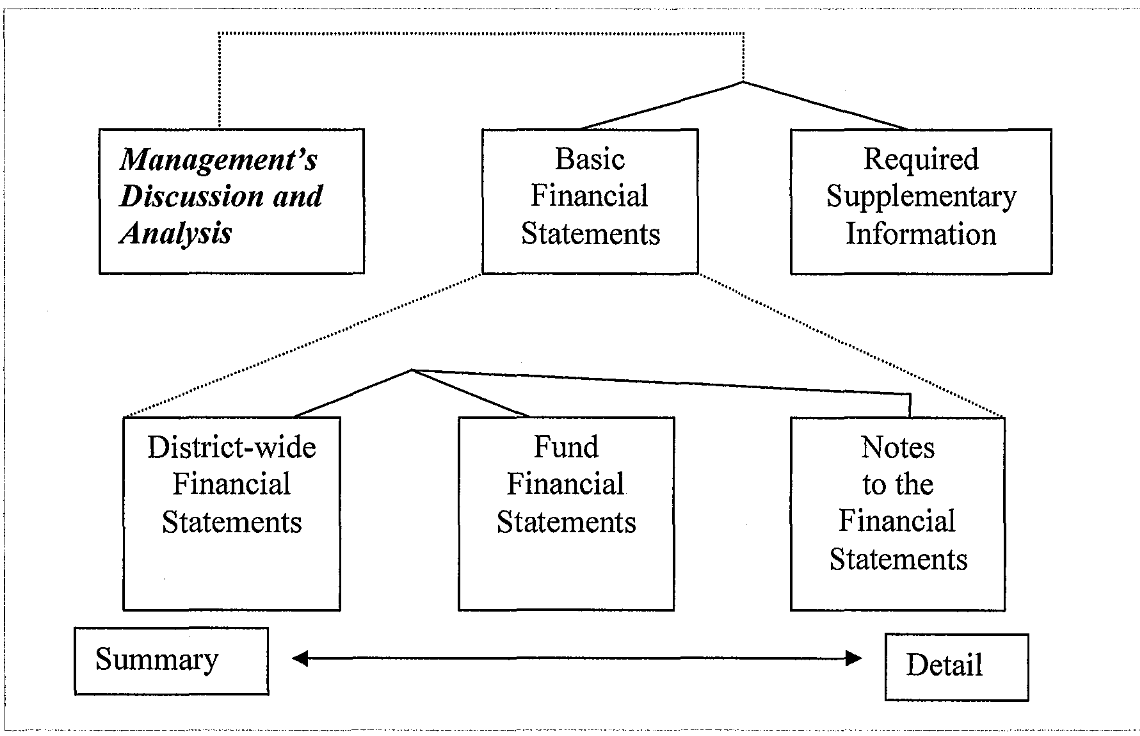
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the District-wide statements.

- The governmental fund statements tell how basic services like regular and special education were financed in the short-term, as well as what remains for future spending.

- The fiduciary fund statements are for the student body funds.

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

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 $20,922,058 at June 30, 2014. Table A-1 below identifies the total assets, total liabilities and the total net position as of June 30, 2014.

Table A-1
Arvin Union School District
Net Position
June 30, 2014 and 2013

	Governmental Activities		
	2014	2013	Percentage Increase (Decrease)
ASSETS			
Current and Other Assets	$ 13,356,298	$ 13,992,920	- 4.55%
Capital Assets	27,889,515	28,817,588	- 3.22
Total Assets	$ 41,245,813	$ 42,810,508	- 3.65
LIABILITIES			
Long-Term Liabilities	$ 18,411,546	$ 17,752,751	3.71
Other Liabilities	1,912,209	1,659,708	15.21
Total Liabilities	$ 20,323,755	$ 19,412,459	4.69
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 16,312,859	$ 16,992,326	- 4.00
Restricted	4,054,457	2,780,953	45.79
Unrestricted	554,742	3,624,770	- 84.70
Total Net Position	$ 20,922,058	$ 23,398,049	- 10.58

Changes in Net Position

Table A-2 identifies the net position beginning balance, the revenues and expenses for 2013-14, 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. Expenses are identified using different categories.

Table A-2
Arvin Union School District
Changes in Net Position
Years Ended June 30, 2014 and 2013

	Governmental Activities		
	2014	2013	Percentage Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	$ 51,719	$ 58,558	- 11.68%
Operating grants and contributions	10,506,950	10,963,514	- 4.16
General Revenues			
Property taxes	3,396,894	3,251,925	4.46
Federal and state aid not restricted to specific purposes	19,235,502	15,576,037	23.49
Other	742,011	662,836	11.94
Total Revenues	33,933,076	30,512,870	11.21
Expenses			
Program Expenses			
Instruction	20,619,384	18,561,096	11.09
Instruction-related services	1,584,942	1,314,809	20.55
School site administration	1,741,459	1,801,784	- 3.35
Pupil services	4,422,710	4,016,888	10.10
General administration	2,586,334	2,172,471	19.05
Plant services	3,225,593	3,023,440	6.69
Ancillary and community services	408,675	459,312	- 11.02
Other outgo	1,819,970	2,024,161	- 10.09
Total Expenses	36,409,067	33,373,961	9.09
Changes in Net Position	(2,475,991)	(2,861,091)	- 13.46
Net Position, Beginning Balance	23,398,049	26,259,140	- 10.90
Net Position, Ending Balance	$ 20,922,058	$ 23,398,049	- 10.58

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, 2014		June 30, 2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 20,619,384	$ 16,028,492	$ 18,561,096	$ 12,914,896
Instruction-Related Services	3,326,401	2,166,513	3,116,593	1,967,990
Pupil Services	4,422,710	1,159,470	4,016,888	971,460
General Administration	2,586,334	2,553,212	2,172,471	2,020,399
Plant Services	3,225,593	2,747,217	3,023,440	3,017,083
Ancillary and Community Services	408,675	(12,357)	459,312	81,857
Other Outgo	1,819,970	1,207,851	2,024,161	1,378,204
Totals	$ 36,409,067	$ 25,850,398	$ 33,373,961	$ 22,351,889

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 $11,484,226. 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, and the District worked diligently to build up reserves due to the volatile State budget.

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 $27,889,515.

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

	2014	2013	Change
Land	$ 1,462,548	$ 1,462,548	$ -
Buildings and Improvements	36,404,967	36,404,967	-
Equipment	2,732,137	2,732,137	-
Less Accumulated Depreciation	(12,710,137)	(11,782,064)	(928,073)
Totals	$ 27,889,515	$ 28,817,588	($ 928,073)

Long-Term Debt

The District increased its long-term debt by $658,795 in 2013-14. At year-end, the District had $18,411,546 in long-term debt, as shown in Table A-5.

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

	2014	2013	Change
General Obligation Bonds Payable	$ 9,628,058	$ 10,243,058	($ 615,000)
Accreted Interest on General Obligation Bonds	1,908,461	1,547,530	360,931
	11,536,519	11,790,588	(254,069)
Compensated Absences Payable	164,917	186,826	(21,909)
Early Retirement Incentives			
CalSTRS	412,096	483,532	(71,436)
Non-CalSTRS	305,387	286,885	18,502
Other Postemployment Benefits Payable	5,992,627	5,004,920	987,707
Totals	$ 18,411,546	$ 17,752,751	$ 658,795

Factors Bearing on the District's Future:

With the new funding system for education, the District has increased expenditures in order to increase services to 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, 2014

	Governmental Activities
Assets	
Cash in County Treasury	$ 5,450,529
Cash in revolving funds	6,000
Investments with Fiscal Agent	1,488,851
Accounts receivable	6,249,639
Stores inventories	
Supplies	2,971
Food	28,677
Prepaid expenditures	129,631
Land	1,462,548
Buildings	35,125,086
Improvement of sites	1,279,881
Equipment	2,732,137
Less accumulated depreciation	(12,710,137)
Total Assets	$ 41,245,813
Deferred Outflows of Resources	
Deferred outflows of resources	$ -
Liabilities	
Accounts payable	$ 1,798,978
Accrued interest payable	43,549
Unearned revenue	69,682
Long-term liabilities	
Due within one year	
General obligation bonds payable	618,835
Accreted interest	61,296
Other postemployment benefits payable	1,032,973
Compensated absences payable	3,432
Early retirement incentives payable	184,685
Due after one year	
General obligation bonds payable	9,009,223
Accreted interest	1,847,165
Other postemployment benefits payable	4,959,654
Compensated absences payable	161,485
Early retirement incentives payable	532,798
Total Liabilities	$ 20,323,755
Deferred Inflows of Resources	
Deferred inflows of resources	$ -
Net Position	
Net investment in capital assets	$ 16,312,859
Restricted for:	
Capital projects, net of related debt	1,917,100
Debt services	948,387
Legally restricted balances	1,188,970
Unrestricted	554,742
Total Net Position	$ 20,922,058

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

		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	$ 20,619,384	$ -	$ 4,590,892	$ -	$ (16,028,492)
Instruction-related services					
Supervision of instruction	889,684	-	522,120	-	(367,564)
Instructional library, media and technology	695,258	-	185,110	-	(510,148)
School site administration	1,741,459	-	452,658	-	(1,288,801)
Pupil services					
Home-to-school transportation	449,643	-	-	-	(449,643)
Food services	2,764,512	22,292	2,718,172	-	(24,048)
All other pupil services	1,208,555	-	522,776	-	(685,779)
General administration					
Data processing	997	-	-	-	(997)
All other general administration	2,585,337	-	33,122	-	(2,552,215)
Plant services	3,225,593	-	478,376	-	(2,747,217)
Ancillary services	10,170	-	-	-	(10,170)
Community services	398,505	-	421,032	-	22,527
Other outgo	1,118,173	29,427	582,692	-	(506,054)
Interest on long-term debt	701,797	-	-	-	(701,797)
Total Governmental Activities	$ 36,409,067	$ 51,719	$ 10,506,950	$ -	(25,850,398)
General Revenues					
Taxes and subventions					
Taxes levied for general purposes					2,390,276
Taxes levied for debt service					968,697
Taxes levied for other specific purposes					37,921
Federal and state aid not restricted to specific purposes					19,235,502
Interest and investment earnings					55,085
Miscellaneous					686,926
Total General Revenues					23,374,407
Changes in Net Position					(2,475,991)
Net Position, Beginning					23,398,049
Net Position, Ending					$ 20,922,058

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
BALANCE SHEET--GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Child Development Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in County Treasury	$ 2,823,411	$ 154,958	$ 230,855	$ 2,241,305	$ 5,450,529
Cash in revolving funds	5,000	-	1,000	-	6,000
Investments with Fiscal Agent	863,534	-	-	625,317	1,488,851
Accounts receivable	5,818,586	123,675	306,277	1,101	6,249,639
Due from other Funds	535,289	-	37,381	-	572,670
Stores inventories					
Supplies	-	-	2,971	-	2,971
Food	-	-	28,677	-	28,677
Prepaid expenditures	-	-	126,219	-	126,219
Total Assets	$ 10,045,820	$ 278,633	$ 733,380	$ 2,867,723	$ 13,925,556
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 1,771,577	$ 2,506	$ 22,659	$ 2,236	$ 1,798,978
Due to other Funds	37,381	274,789	260,500	-	572,670
Unearned revenue	68,540	1,142	-	-	69,682
Total Liabilities	1,877,498	278,437	283,159	2,236	2,441,330
Fund Balances					
Nonspendable					
Revolving funds	5,000	-	1,000	-	6,000
Stores inventories	-	-	31,648	-	31,648
Prepaid expenditures	-	-	126,219	-	126,219
Restricted					
Debt services	-	-	-	948,387	948,387
Legally restricted balances	926,644	-	262,326	-	1,188,970
Assigned					
Other assignments	4,542,501	196	29,028	1,917,100	6,488,825
Unassigned					
Reserve for economic uncertainties	2,694,177	-	-	-	2,694,177
Total Fund Balances	8,168,322	196	450,221	2,865,487	11,484,226
Total Liabilities and Fund Balances	$ 10,045,820	$ 278,633	$ 733,380	$ 2,867,723	$ 13,925,556

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances--Governmental Funds		$ 11,484,226
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	$ 40,599,652	
Accumulated depreciation	12,710,137	
Net		27,889,515
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:		3,412
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 unmatured interest owing at the end of the period was:		(43,549)
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	9,628,058	
Accreted interest	1,908,461	
Other postemployment benefits payable	5,992,627	
Compensated absences payable	164,917	
Early retirement incentives--CalSTRS	412,096	
Early retirement incentives--CalPERS	114,992	
Early retirement incentives--PARS	76,395	
Early retirement incentives--Other	114,000	
Total		(18,411,546)
Total Net Position--Governmental Activities		$ 20,922,058

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Child Development Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources					
State apportionments	$ 18,510,471	$ -	$ -	$ -	$ 18,510,471
Local sources	2,079,822	-	-	-	2,079,822
Total Local Control Funding Formula	20,590,293	-	-	-	20,590,293
Federal revenue	3,619,707	-	2,516,580	-	6,136,287
Other state revenue	2,421,463	333,136	198,731	5,040	2,958,370
State on-behalf payments	764,100	8,101	-	-	772,201
Other local revenue	1,843,568	1,514	52,799	1,578,044	3,475,925
Total Revenues	29,239,131	342,751	2,768,110	1,583,084	33,933,076
Expenditures					
Instruction	19,635,346	316,019	-	-	19,951,365
Supervision of instruction	884,433	5,251	-	-	889,684
Instructional library, media and technology	675,489	-	-	-	675,489
School site administration	1,637,807	21,342	-	-	1,659,149
Home-to-school transportation	433,778	-	-	-	433,778
Food services	13,554	-	2,741,626	-	2,755,180
All other pupil services	1,208,555	-	-	-	1,208,555
Data processing	399	-	-	-	399
All other general administration	1,495,096	-	-	4	1,495,100
Plant services	3,056,651	-	-	55,420	3,112,071
Ancillary services	10,170	-	-	-	10,170
Community services	396,664	-	-	-	396,664
Other outgo	1,108,128	-	-	-	1,108,128
Debt service					
Principal retirement	160,556	-	-	615,000	775,556
Interest on long-term debt	64,781	-	-	280,667	345,448
Total Expenditures	30,781,407	342,612	2,741,626	951,091	34,816,736
Excess (Deficiency) of Revenues Over Expenditures	(1,542,276)	139	26,484	631,993	(883,660)
Fund Balances, July 1, 2013	9,710,598	57	423,737	2,233,494	12,367,886
Fund Balances, June 30, 2014	$ 8,168,322	$ 196	$ 450,221	$ 2,865,487	$ 11,484,226

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, 2014

Total Change in Fund Balances--Governmental Funds		$ (883,660)
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	$ -	
Depreciation expense	928,073	
Net		(928,073)
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:		1,571,083
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	10,045	
Net		(10,045)
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:		(356,349)
Compensated Absences: In governmental 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:		21,909
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		160,556
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:		(1,943,790)
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 obigations were:		(107,622)
Changes in Net Position of Governmental Activities		$ (2,475,991)

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY
NET POSITION--FIDUCIARY FUND
JUNE 30, 2014

	Agency Fund Student Body Funds
Assets	
Cash on hand and in banks	$ 16,860
Liabilities	
Due to student groups	$ 16,860
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, 2014

	Balance 7/1/13	Additions	Deductions	Balance 6/30/14
Student Body Funds				
Assets				
Cash on hand and in banks	$ 43,137	$ 174,287	$ 200,564	$ 16,860
Liabilities				
Due to student groups	$ 43,137	$ 174,287	$ 200,564	$ 16,860

See notes to the basic financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The Arvin Union School District (the "District") was established in about 1913 in the city of Arvin, in Kern County. 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 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, 2014.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but 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.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds 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 Changes in Fund Balances for these funds presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the 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.

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.

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.

Nonmajor Governmental Funds:

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 Fund:

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:

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).

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

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

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.

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.

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 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:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, 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

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 deferred outflows of resources 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 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.

Restricted balances at June 30, 2014 are as follows:

AVID Scholarship Program	$ 51,505
California Clean Energy Jobs Act (Prop 39)	130,000
Child Nutrition: School Programs	262,326
Common Core State Standards Implementation Funds	274,922
Local Donations - undesignated	126,026
Medical Assistance Program (Billing Option)	341,242
Harvest Festival Donations	850
SAS County of Kern Stipend	2,099
Totals	$ 1,188,970

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 "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 begins 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.

14. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB 65 provides guidance on which balances currently reported as assets and liabilities should be reported as deferred outflows of resources and deferred inflows of resources. It is effective for periods beginning after December 15, 2012. The District adopted GASB 65 in the fiscal year ended June 30, 2014.

At June 30, 2014, the District had no deferred outflows or deferred inflows.

Other Restatements

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66, *Technical Corrections-2012.* GASB 66 amends specific provisions of GASB 10 and GASB 62. It is effective for periods beginning after December 15, 2012. The District adopted GASB 66 in the fiscal year ended June 30, 2014. There was no effect to the financial statements from GASB 66.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.* GASB 67 establishes financial reporting standards for pension plans of state and local governments and addresses the measurement of the net pension liability of the Defined Benefits Plan. It is effective for periods beginning after June 15, 2013. The District adopted GASB 67 in the fiscal year ended June 30, 2014. There was no effect to the financial statements from GASB 67.

Recently Issued Accounting Pronouncements (not yet adopted)

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans. It is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.* GASB 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. It is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Govermental Funds:	
Deposits	
Cash on hand and in banks	$ 6,000
Pooled Funds	
Cash in county treasury	5,450,529
Held by Trustee (Self-Insured Schools of California)	
Corporate bonds	325,165
Federal Agency oblilgations	280,202
Mortgage passthroughs	292,113
U.S. Treasury notes	215,288
Money Market Fund	376,083
Total Governmental Funds	6,945,380
Fiduciary Funds:	
Cash on hand and in banks	16,860
District Totals	$ 6,962,240

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 ($5,450,529 as of June 30, 2014). The fair market value of this investment pool as of that date, as provided by the pool sponsor, was $5,450,529. 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.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	3%	3%
U.S. Agency Securities	5 years	4%	4%
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	5%	5%
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	5%	5%
Mortgage Pass-Through Securities	5 years	4%	4%
County Pooled Investment Funds	N/A	79%	79%
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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
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.

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$ 5,450,529	$ 5,450,529	$ -	$ -	$ -
Held by Trustee (Self-Insured Schools of California)					
Corporate bonds	325,165	54,152	80,872	190,141	-
Federal Agency oblilgations	280,202	36,647	91,307	117,306	34,942
Mortgage passthroughs	292,113	-	91,184	200,929	-
U.S. Treasury notes	215,288	-	-	109,364	105,924
Money Market Fund	376,083	376,083	-	-	-
Totals	$ 6,939,380	$ 5,917,411	$ 263,363	$ 617,740	$ 140,866

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 AAA	AA	A	Not Rated
County Investment Pool	$ 5,450,529	N/A	$ -	$ -	$ -	$ -	$ 5,450,529
Held by Trustee (Self-Insured Schools of California)							
Corporate bonds	325,165	N/A	-	-	51,683	273,482	-
Federal Agency oblilgations	280,202	N/A	-	280,202	-	-	-
Mortgage passthroughs	292,113	N/A	-	292,113	-	-	-
U.S. Treasury notes	215,288	N/A	-	215,288	-	-	-
Money Market Fund	376,083	N/A	-	-	-	-	376,083
Totals	$ 6,939,380		$ -	$ 787,603	$ 51,683	$ 273,482	$ 5,826,612

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Child Development Fund	Cafeteria Fund	All Other Governmental Funds	Total Governmental Funds
Federal Government					
Federal Programs	$ 721,293	$ -	$ 284,657	$ -	$ 1,005,950
State Government					
Categorical Aid Programs	297,317	123,607	21,367	-	442,291
Local Control Funding Formula	3,482,331	-	-	-	3,482,331
Total State Government	3,779,648	123,607	21,367	-	3,924,622
Local Government					
Interest	4,345	68	253	1,101	5,767
K.C.O.E. Reimbursements	53,468	-	-	-	53,468
Total Local Government	57,813	68	253	1,101	59,235
Miscellaneous	1,259,832	-	-	-	1,259,832
Totals	$ 5,818,586	$ 123,675	$ 306,277	$ 1,101	$ 6,249,639

4. INTERFUND TRANSACTIONS

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2014 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 535,289	$ 37,381
Child Development Fund	-	274,789
Cafeteria Fund	37,381	260,500
Totals	$ 572,670	$ 572,670

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 is shown below:

	Balance 7/1/13	Additions	Balance 6/30/14
Capital assets not being depreciated			
Land	$ 1,462,548	$ -	$ 1,462,548
Capital assets being depreciated			
Buildings	35,125,086	-	35,125,086
Improvements of sites	1,279,881	-	1,279,881
Equipment	2,732,137	-	2,732,137
Total capital assets being depreciated	39,137,104	-	39,137,104
Less: Accumulated depreciation			
Buildings	8,254,951	866,304	9,121,255
Improvements of sites	1,156,146	10,930	1,167,076
Equipment	2,370,967	50,839	2,421,806
Total accumulated depreciation	11,782,064	928,073	12,710,137
Total capital assets being depreciated, net	27,355,040	(928,073)	26,426,967
Governmental activities capital assets, net	$ 28,817,588	$ (928,073)	$ 27,889,515

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	$ 668,019
Instructional library, media, and technology	19,769
School site administration	82,310
Home-to-school transportation	15,865
Food services	9,332
Community services	1,841
All other general administration	16,817
Data processing	598
Plant services	113,522
Total Depreciation Expense	$ 928,073

6. 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 funds statement of net position. No deferred outflows of resources affect the governmental funds financial statements in the current year.

7. 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 funds statement of net position. No deferred inflows of resources affect the governmental funds financial statements in the current year.

8. ACCOUNTS PAYABLE

Accounts payable at June 30, 2014 consisted of the following:

	General Fund	Child Development Fund	Cafeteria Fund	All Other Govern-mental Funds	Total Govern-mental Funds
Vendor payables	$ 1,316,800	$ 2,506	$ 22,659	$ 2,236	$ 1,344,201
Salaries and benefits	283,458	-	-	-	283,458
State apportionment	171,319	-	-	-	171,319
Totals	$ 1,771,577	$ 2,506	$ 22,659	$ 2,236	$ 1,798,978

9. 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, 2014 consisted of the following:

	General Fund	Child Development Fund	Total
Title I Grants to Local Educational Agencies (Title I of IASA)	$ 17,172	$ -	$ 17,172
Special Education--Grants to States (Project Workability)	599	-	599
21st Century Community Learning Centers	70	-	70
Reading First State Grants	937	-	937
Improving Teacher Quality State Grants	1,962	-	1,962
Child Care and Development Block Grant	-	1,142	1,142
Total Federal	20,740	1,142	21,882
After School Education and Safety	47,800	-	47,800
Totals	$ 68,540	$ 1,142	$ 69,682

10. GENERAL OBLIGATION BONDS

The outstanding general obligation bond debt of the District at June 30, 2014 is as follows:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding 7/1/13	Redeemed During Year	Outstanding 6/30/14
1996 Election	3.90% to 5.80%	5/1/96	11/1/14	$ 3,270,000	$ 500,000	$ 230,000	$ 270,000
1996 Election	5.65% to 7.50%	5/1/96	11/1/14	1,080,000	185,000	90,000	95,000
Election of 1989, Series 2005	4.0% to 5.0%	10/1/04	11/1/14	768,835	148,835	105,000	43,835
Election of 2004, Series 2004A	3.25% to 5.90%	5/27/04	5/1/48	5,059,349	4,424,349	165,000	4,259,349
Election of 2004, Series 2008	2.25% to 6.20%	8/14/08	5/1/48	5,059,874	4,984,874	25,000	4,959,874
Totals					$ 10,243,058	$ 615,000	$ 9,628,058

The annual requirements to amortize general obligation bonds, payable and outstanding as of June 30, 2014, are as follows:

Year Ending June 30:	Debt	Interest	Totals
2015	$ 618,835	$ 320,951	$ 939,786
2016	250,000	229,546	479,546
2017	280,000	218,563	498,563
2018	305,000	206,128	511,128
2019	335,000	192,305	527,305
2020-2024	2,325,000	680,935	3,005,935
2025-2029	1,779,349	1,938,400	3,717,749
2030-2034	944,579	3,655,421	4,600,000
2035-2039	1,111,004	4,538,996	5,650,000
2040-2044	934,830	5,965,170	6,900,000
2045-2048	744,461	6,765,539	7,510,000
Totals	$ 9,628,058	$ 24,711,954	$ 34,340,012

11. ACCRETED 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, 2014 was $1,908,461 and will mature as follows:

Year Ending June 30:	
2015	$ 61,296
2025-2029	274,656
2030-2034	436,026
2035-2039	435,246
2040-2044	386,986
2045-2048	314,251
Total	$ 1,908,461

12. 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.

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 $3,801,139. 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 $956,083 (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:

	2011-2012	2012-2013	2013-2014
Present Value of Future Benefits (PVFB)			
Actives	$ 16,478,813	$ 18,412,650	$ 18,412,650
Retired	8,464,450	11,877,424	11,877,424
Total: PVFB	$ 24,943,263	$ 30,290,074	$ 30,290,074
Actuarially Accrued Liability (AAL)			
Actives	$ 9,983,431	$ 10,052,033	$ 10,052,033
Retired	8,464,450	11,877,424	11,877,424
Total: AAL	18,447,881	21,929,457	21,929,457
Assets	(-)	(-)	(-)
Total: Unfunded Actuarially Accrued Liability (UAAL)	$ 18,447,881	$ 21,929,457	$ 21,929,457
Annual Required Contributions (ARC)			
Service Cost at Year-End	$ 748,228	$ 643,435	$ 675,607
30-Year Amortization of Unfunded AL	1,200,061	1,268,183	1,268,183
Total: ARC	1,948,289	1,911,618	1,943,790
Interest Adjustment to ARC	-	166,988	-
Amortization Adjustment to ARC	-	(336,375)	-
Annual OPEB Cost	1,948,289	1,742,231	1,943,790
Net OPEB Obligation, Beginning	3,321,040	4,344,094	5,004,920
Less Amount of Benefits Paid During Year	(925,235)	(1,081,405)	(956,083)
Net OPEB Obligation, Ending	$ 4,344,094	$ 5,004,920	$ 5,992,627

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was $21,929,457. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-2014 fiscal year was $17,337,966, for a ratio of the UAAL to covered payroll of 126.48%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future terminations, mortality, and healthcare cost 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, 2012 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-2000 Mortality Tables. The UAAL is being amortized as a level percentage of projected payrolls.

The unfunded net obligation for other postemployment benefits is $5,992,627. Annual amounts to amortize this debt are as follows:

Year Ending June 30:	Amount
2015	$ 1,032,973
2016	1,046,602
2017	1,116,274
2018	1,123,656
2019	1,201,008
2020-2024	472,114
Total	$ 5,992,627

13. COMPENSATED ABSENCES

Compensated absences at June 30, 2014 consisted of:

	Compensated Absences	Benefits	Totals
Classified	$ 150,719	$ 14,198	$ 164,917
Less amounts due within one year	3,136	296	3,432
Amounts due after one year	$ 147,583	$ 13,902	$ 161,485

14. LEASES

Operating Leases

The District has entered into various operating leases for equipment 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, 2014 under these operating leases was $7,014.
Future minimum lease payments under these agreements are as follows:

Year Ending June 30:	Amount
2015	$ 7,794
2016	7,794
2017	6,755
2018	1,559
2019	779
Total	$ 24,681

15. EARLY RETIREMENT INCENTIVE

The Board has adopted four early retirement incentive programs.
Under the State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis.
The District has also granted early retirement incentives under 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 District 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 - $412,096, CalPERS - $114,992, PARS - $76,395, and Other - $114,000, for a total of $717,483) are as follows:

Year Ending June 30:	Principal	Interest	Totals
2015	$ 184,685	$ 49,290	$ 233,975
2016	163,093	37,794	200,887
2017	146,630	27,836	174,466
2018	109,778	18,799	128,577
2019	79,694	9,996	89,690
2020-2024	33,603	4,174	37,777
Totals	$ 717,483	$ 147,889	$ 865,372

16. GENERAL LONG-TERM DEBT--SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance 7/1/13	Additions	Deductions	Balance 6/30/14
General obligation bonds	$ 10,243,058	$ -	$ 615,000	$ 9,628,058
Accreted interest--general obligation bonds	1,547,530	360,931	-	1,908,461
Postemployment health benefits	5,004,920	1,943,790	956,083	5,992,627
Compensated absences	186,826	-	21,909	164,917
Early retirement incentive				
CalSTRS *	483,532	2,045	73,481	412,096
CalPERS **	134,885	29,182	49,075	114,992
PARS	-	76,395	-	76,395
Other	152,000	-	38,000	114,000
Totals	$ 17,752,751	$ 2,412,343	$ 1,753,548	$ 18,411,546

* The "Additions" were for adjustments for prior retirees. There were no new retirees.
** The "Additions" include $23,522 for a new retiree, and a $5,660 adjustment for prior retirees.

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 General Fund. The compensated absences will be paid by the Fund for which the employee worked. Early retirement incentives are paid for by the General Fund.

17. JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in six 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)

Special Education Consortium
(special education)

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, 2014 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

PinCo	C/O Antelope Valley Union High School District 44811 N. Sierra Highway Lancaster, CA 93534-3226
Schools Legal Services	Kern County Superintendent of Schools 1300 17th St., No. 7 Bakersfield, CA 93301
SISC I, II, and III	Self-Insured Schools of California Kern County Superintendent of Schools P.O. Box 1847 Bakersfield, CA 93303-1847
Special Education Consortium	Kern County Superintendent of Schools 1300 17th Street, City Centre Bakersfield, CA 93301-4533

18. 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	$ 395,457
Pending appeals for interest	21,793
Total	417,250
Less amount held by Kern County Auditor-Controller	(201,523)
Net Contingent Liability	$ 215,727

B. 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.

19. 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). Part-time, temporary and seasonal employees who work less than four hours per day are members of the Self-Insured Schools of California (SISC) Defined Benefit Plan.

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, Post Office Box 15275, Sacramento, California 95851-0275.

Funding Policy

Active plan members are required to contribute 8.0% of their salary 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 2013-2014 was 8.25% 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, 2014, 2013, and 2012 were $1,149,731, $998,690, and $944,025, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary 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 2013-2014 was 11.442%. 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, 2014, 2013, and 2012 were $440,969, $425,264, and $401,154, respectively, and equal 100% of the required contributions for each year.

C. Self-Insured Schools of California (SISC) Defined Benefit Plan

Plan Description

The District contributes to the Self-Insured Schools of California (SISC) Defined Benefit Plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by SISC. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by the SISC Board. The SISC Defined Benefit Plan issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the SISC Defined Benefit Plan annual financial report may be obtained from SISC, Post Office Box 1847, Bakersfield, California 93303-1847.

Funding Policy

Active plan members prior to January 1, 2014 are not required to contribute, and the District will continue to pay the full cost of 3.1% for these participants. For any employees hired on or after January 1, 2014, the employee will be required to make a contribution of 1.5% to the plan, and the employer will contribute 1.6% to the plan, for a total of 3.1%. The actuarial methods and assumptions used for determining the rate are those adopted by the SISC Board. District (employer) contributions to the SISC Defined Benefit Plan for the fiscal years ending June 30, 2014, 2013 and 2012 were $25,773, $31,371, and $32,289, respectively, and equal 100% of the required contributions. Employee contributions to the SISC Defined Benefit Plan for the fiscal years ending June 30, 2014, 2013, and 2012 were $1,095, $0, and $0, respectively, and equal 100% of the required contributions.

20. SECTION 457 DEFERRED COMPENSATION PLAN

Plan Description

The District's Board of Trustees previously authorized the establishment of a qualified Internal Revenue Code Section 457 deferred compensation plan for the exclusive benefit of all eligible employees of the District.

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, 2014, there were no employees that had elected to participate.

21. 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, 2014, there were 54 employees that had elected to participate, with total compensation deferrals of $181,343.

22. 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 $772,201 to CalSTRS (5.541% of salaries subject to CalSTRS).

23. SUBSEQUENT EVENTS

General Obligation Bonds

A general election was held on November 4, 2014, at which more than fifty-five percent (55%) or more 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 construction, reconstruction, rehabilitation and replacement of school facilities, including the furnishing or equipping of school facilities, or the acquisition or lease of real property for school facilities to be used in the public education operations of the District. None of the bonds have been issued as of December 4, 2014.

Other Subsequent Events

The District's management evaluated its June 30, 2014 financial statements for subsequent events through December 4, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events (other than those mentioned above) that would require recognition or disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
(BY OBJECT)--GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local control funding formula sources				
State apportionments	$ 14,291,255	$ 18,677,316	$ 18,510,471	$ (166,845)
Local sources	1,966,925	1,993,780	2,079,822	86,042
Total Local Control Funding Formula	16,258,180	20,671,096	20,590,293	(80,803)
Federal revenue	3,356,247	3,379,518	3,619,707	240,189
Other state revenue	6,229,484	3,218,935	2,421,463	(797,472)
State on-behalf payments	-	764,100	764,100	-
Other local revenue	469,336	1,348,396	1,843,568	495,172
Total Revenues	26,313,247	29,382,045	29,239,131	(142,914)
Expenditures				
Certificated salaries	12,083,938	12,766,281	12,766,029	252
Classified salaries	3,336,917	3,679,731	3,679,195	536
Employee benefits	6,612,011	6,374,009	6,373,993	16
State on-behalf payments	-	764,100	764,100	-
Books and supplies	1,295,465	3,199,465	3,198,553	912
Services and other operating expenditures	2,098,227	2,666,618	2,666,072	546
Capital outlay	100,000	100,000	-	100,000
Payments to County Office	1,000,000	1,109,000	1,108,128	872
Direct support/indirect costs--interfund	(10,078)	-	-	-
Debt service				
Principal retirement	-	161,500	160,556	944
Interest and fiscal charges	-	65,000	64,781	219
Total Expenditures	26,516,480	30,885,704	30,781,407	104,297
Excess (Deficiency) of Revenues Over Expenditures	(203,233)	(1,503,659)	(1,542,276)	(38,617)
Fund Balances, July 1, 2013	9,035,071	9,689,142	9,710,598	21,456
Fund Balances, June 30, 2014	$ 8,831,838	$ 8,185,483	$ 8,168,322	$ (17,161)

See notes to the basic financial statements.

Child Development Fund				Cafeteria Fund			
Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)	Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,597,000	2,515,929	2,516,580	651
449,152	449,152	333,136	(116,016)	130,000	198,000	198,731	731
-	8,101	8,101	-	-	-	-	-
-	-	1,514	1,514	23,000	23,000	52,799	29,799
449,152	457,253	342,751	(114,502)	1,750,000	2,736,929	2,768,110	31,181
144,811	149,979	146,809	3,170	-	-	-	-
48,268	89,408	89,267	141	571,115	657,129	656,666	463
135,031	95,614	94,914	700	403,330	396,189	331,442	64,747
-	8,101	8,101	-	-	-	-	-
121,042	87,042	2,531	84,511	778,700	1,733,629	1,726,268	7,361
-	1,000	990	10	10,310	27,310	27,250	60
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	10,078	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
449,152	431,144	342,612	88,532	1,773,533	2,814,257	2,741,626	72,631
-	26,109	139	(25,970)	(23,533)	(77,328)	26,484	103,812
56	56	57	1	360,861	360,861	423,737	62,876
$ 56	$ 26,165	$ 196	$ (25,969)	$ 337,328	$ 283,533	$ 450,221	$ 166,688

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SUPPLEMENTARY INFORMATION SECTION

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS--
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2014

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%

Combining Statements--General Fund

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2014

ASSETS	General Fund
Cash in County Treasury	$ 551,714
Cash in revolving fund	5,000
Investments with Fiscal Agent	-
Accounts receivable	5,816,666
Due from other Funds	535,289
Total Assets	$ 6,908,669

LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 1,771,577
Due to other Funds	3,294,536
Unearned revenue	68,540
Total Liabilities	5,134,653
Fund Balances	
Nonspendable	
Revolving fund	5,000
Restricted	
Legally restricted balances	926,644
Assigned	
Other assignments	543,726
Unassigned	
Reserve for economic uncertainties	298,646
Total Fund Balances	1,774,016
Total Liabilities and Fund Balances	$ 6,908,669

See notes to the basic financial statements.

Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Special Reserve Fund for Postemployment Benefits	Eliminations	Totals-- Combined General Fund (GASB 54)
$ 197,469	$ 430,850	$ 1,643,378	$ -	$ 2,823,411
-	-	-	-	5,000
-	625,317	238,217	-	863,534
167	364	1,389	-	5,818,586
-	1,339,000	1,918,155	(3,257,155)	535,289
$ 197,636	$ 2,395,531	$ 3,801,139	$ (3,257,155)	$ 10,045,820
$ -	$ -	$ -	$ -	$ 1,771,577
-	-	-	(3,257,155)	37,381
-	-	-	-	68,540
-	-	-	(3,257,155)	1,877,498
-	-	-	-	5,000
-	-	-	-	926,644
197,636	-	3,801,139	-	4,542,501
-	2,395,531	-	-	2,694,177
197,636	2,395,531	3,801,139	-	8,168,322
$ 197,636	$ 2,395,531	$ 3,801,139	$ (3,257,155)	$ 10,045,820

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2014

	General Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Special Reserve Fund for Postemployment Benefits	Totals-- Combined General Fund (GASB 54)
Revenues					
Local control funding formula sources					
State apportionments	$ 18,510,471	$ -	$ -	$ -	$ 18,510,471
Local sources	2,079,822	-	-	-	2,079,822
Total Local Control Funding Formula	20,590,293	-	-	-	20,590,293
Federal revenue	3,619,707	-	-	-	3,619,707
Other state revenue	2,421,463	-	-	-	2,421,463
State on-behalf payments	764,100	-	-	-	764,100
Other local revenue	1,821,249	759	11,494	10,066	1,843,568
Total Revenues	29,216,812	759	11,494	10,066	29,239,131
Expenditures					
Certificated salaries	12,766,029	-	-	-	12,766,029
Classified salaries	3,679,195	-	-	-	3,679,195
Employee benefits	6,381,919	-	-	-	6,381,919
State on-behalf payments	764,100	-	-	-	764,100
Books and supplies	3,198,553	-	-	-	3,198,553
Services and other operating expenditures	2,666,072	-	-	-	2,666,072
Payments to County Office	1,108,128	-	-	-	1,108,128
Debt service					
Principal retirement	169,422	-	-	-	169,422
Interest and fiscal charges	47,989	-	-	-	47,989
Total Expenditures	30,781,407	-	-	-	30,781,407
Excess (Deficiency) of Revenues Over Expenditures	(1,564,595)	759	11,494	10,066	(1,542,276)
Fund Balances, July 1, 2013	3,338,611	196,877	2,384,037	3,791,073	9,710,598
Fund Balances, June 30, 2014	$ 1,774,016	$ 197,636	$ 2,395,531	$ 3,801,139	$ 8,168,322

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, 2014

	General Fund (Internal)			
	Budgeted Amounts		Actual (GAAP) Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Local control funding formula sources				
State apportionments	$ 14,291,255	$ 18,677,316	$ 18,510,471	$ (166,845)
Local sources	1,966,925	1,993,780	2,079,822	86,042
Total Local Control Funding Formula	16,258,180	20,671,096	20,590,293	(80,803)
Federal revenue	3,356,247	3,379,518	3,619,707	240,189
Other state revenue	6,229,484	3,218,935	2,421,463	(797,472)
State on-behalf payments	-	764,100	764,100	-
Other local revenue	409,336	1,288,396	1,821,249	532,853
Total Revenues	26,253,247	29,322,045	29,216,812	(105,233)
Expenditures				
Certificated salaries	12,083,938	12,766,281	12,766,029	252
Classified salaries	3,336,917	3,679,731	3,679,195	536
Employee benefits	6,612,011	6,382,509	6,381,919	590
State on-behalf payments	-	764,100	764,100	-
Books and supplies	1,295,465	3,199,465	3,198,553	912
Services and other operating expenditures	2,098,227	2,666,618	2,666,072	546
Capital outlay	100,000	100,000	-	100,000
Payments to County Office	1,000,000	1,109,000	1,108,128	872
Direct support/indirect costs--interfund	(10,078)	-	-	-
Debt service				
Principal retirement	-	170,000	169,422	578
Interest and fiscal charges	-	48,000	47,989	11
Total Expenditures	26,516,480	30,885,704	30,781,407	104,297
Excess (Deficiency) of Revenues Over Expenditures	(263,233)	(1,563,659)	(1,564,595)	(936)
Fund Balances, July 1, 2013	2,684,540	3,338,611	3,338,611	-
Fund Balances, June 30, 2014	$ 2,421,307	$ 1,774,952	$ 1,774,016	$ (936)

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, 2014

	Deferred Maintenance 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	-	-	-	-
State on-behalf payments	-	-	-	-
Other local revenue	-	-	759	759
Total Revenues	-	-	759	759
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
State on-behalf payments	-	-	-	-
Books and supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs--interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	759	759
Fund Balances, July 1, 2013	196,878	196,878	196,877	(1)
Fund Balances, June 30, 2014	$ 196,878	$ 196,878	$ 197,636	$ 758

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, 2014

	Special Reserve (Special Revenue) 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	-	-	-	-
State on-behalf payments	-	-	-	-
Other local revenue	10,000	10,000	11,494	1,494
Total Revenues	10,000	10,000	11,494	1,494
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
State on-behalf payments	-	-	-	-
Books and supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs--interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	10,000	10,000	11,494	1,494
Fund Balances, July 1, 2013	2,368,498	2,368,498	2,384,037	15,539
Fund Balances, June 30, 2014	$ 2,378,498	$ 2,378,498	$ 2,395,531	$ 17,033

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, 2014

	Special Reserve Fund for Postemployment Benefits			
	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	-	-	-	-
State on-behalf payments	-	-	-	-
Other local revenue	50,000	50,000	10,066	(39,934)
Total Revenues	50,000	50,000	10,066	(39,934)
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
State on-behalf payments	-	-	-	-
Books and supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs--interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	50,000	50,000	10,066	(39,934)
Fund Balances, July 1, 2013	3,785,155	3,785,155	3,791,073	5,918
Fund Balances, June 30, 2014	$ 3,835,155	$ 3,835,155	$ 3,801,139	$ (34,016)

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, 2014

	Totals--Combined General Fund (GASB 54)			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local control funding formula sources				
State apportionments	$ 14,291,255	$ 18,677,316	$ 18,510,471	$ (166,845)
Local sources	1,966,925	1,993,780	2,079,822	86,042
Total Local Control Funding Formula	16,258,180	20,671,096	20,590,293	(80,803)
Federal revenue	3,356,247	3,379,518	3,619,707	240,189
Other state revenue	6,229,484	3,218,935	2,421,463	(797,472)
State on-behalf payments	-	764,100	764,100	-
Other local revenue	469,336	1,348,396	1,843,568	495,172
Total Revenues	26,313,247	29,382,045	29,239,131	(142,914)
Expenditures				
Certificated salaries	12,083,938	12,766,281	12,766,029	252
Classified salaries	3,336,917	3,679,731	3,679,195	536
Employee benefits	6,612,011	6,382,509	6,381,919	590
State on-behalf payments	-	764,100	764,100	-
Books and supplies	1,295,465	3,199,465	3,198,553	912
Services and other operating expenditures	2,098,227	2,666,618	2,666,072	546
Capital outlay	100,000	100,000	-	100,000
Payments to County Office	1,000,000	1,109,000	1,108,128	872
Direct support/indirect costs--interfund	(10,078)	-	-	-
Debt service				
Principal retirement	-	170,000	169,422	578
Interest and fiscal charges	-	48,000	47,989	11
Total Expenditures	26,516,480	30,885,704	30,781,407	104,297
Excess (Deficiency) of Revenues Over Expenditures	(203,233)	(1,503,659)	(1,542,276)	(38,617)
Fund Balances, July 1, 2013	9,035,071	9,689,142	9,710,598	21,456
Fund Balances, June 30, 2014	$ 8,831,838	$ 8,185,483	$ 8,168,322	$ (17,161)

See notes to the basic financial statements.

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Combining Statements--Nonmajor Funds

ARVIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

ASSETS	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Totals
Cash in County Treasury	$ 1	$ 1,292,747	$ 5	$ 165	$ 1,292,918
Investments with Fiscal Agent	-	-	-	625,317	625,317
Accounts receivable	-	1,101	-	-	1,101
Total Assets	$ 1	$ 1,293,848	$ 5	$ 625,482	$ 1,919,336
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ 2,236	$ -	$ -	$ 2,236
Fund Balances					
Assigned					
Other assignments	1	1,291,612	5	625,482	1,917,100
Total Liabilities and Fund Balances	$ 1	$ 1,293,848	$ 5	$ 625,482	$ 1,919,336

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2014

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Totals
Revenues					
Other local revenue	$ -	$ 599,297	$ -	$ 9,839	$ 609,136
Expenditures					
Services and other operating expenditures	-	55,424	-	-	55,424
Excess of Revenues Over Expenditures	-	543,873	-	9,839	553,712
Fund Balances, July 1, 2013	1	747,739	5	615,643	1,363,388
Fund Balances, June 30, 2014	$ 1	$ 1,291,612	$ 5	$ 625,482	$ 1,917,100

See notes to the basic financial statements.

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, 2014

	Building Fund			Capital Facilities Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Other local revenue	$ -	$ -	$ -	$ 230,000	$ 599,297	$ 369,297
Expenditures						
Services and other operating expenditures	-	-	-	94,000	55,424	38,576
Capital outlay	-	-	-	-	-	-
Total Expenditures	-	-	-	94,000	55,424	38,576
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	136,000	543,873	407,873
Fund Balances, July 1, 2013	1	1	-	747,739	747,739	-
Fund Balances, June 30, 2014	$ 1	$ 1	$ -	$ 883,739	$ 1,291,612	$ 407,873

See notes to the basic financial statements.

County School Facilities Fund			Special Reserve Fund			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ -	$ -	$ -	$ -	$ 9,839	$ 9,839	$ 230,000	$ 609,136	$ 379,136
-	-	-	-	-	-	94,000	55,424	38,576
-	-	-	7,000	-	7,000	7,000	-	7,000
-	-	-	7,000	-	7,000	101,000	55,424	45,576
-	-	-	(7,000)	9,839	16,839	129,000	553,712	424,712
5	5	-	600,104	615,643	15,539	1,347,849	1,363,388	15,539
$ 5	$ 5	$ -	$ 593,104	$ 625,482	$ 32,378	$ 1,476,849	$ 1,917,100	$ 440,251

ARVIN UNION SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2014

ASSETS	Bond Interest and Redemption Fund
Cash in County Treasury	$ 948,387
LIABILITIES AND FUND BALANCE	
Liabilities	$ -
Fund Balance	
Restricted for debt services	948,387
Total Liabilities and Fund Balance	$ 948,387

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2014

	Bond Interest and Redemption Fund
Revenues	
Other state revenue	$ 5,040
Other local revenue	968,908
Total Revenues	973,948
Expenditures	
Debt service	
Principal retirement	615,000
Interest and fiscal charges	280,667
Total Expenditures	895,667
Excess of Revenues Over Expenditures	78,281
Fund Balance, July 1, 2013	870,106
Fund Balance, June 30, 2014	$ 948,387

See notes to the basic financial statements.

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2014

	Bond Interest and Redemption Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other state revenue	$ -	$ 5,040	$ 5,040
Other local revenue	973,000	968,908	(4,092)
Total Revenues	973,000	973,948	948
Expenditures			
Debt service			
Principal retirement	615,000	615,000	-
Interest and fiscal charges	281,000	280,667	333
Total Expenditures	896,000	895,667	333
Excess of Revenues Over Expenditures	77,000	78,281	1,281
Fund Balance, July 1, 2013	870,106	870,106	-
Fund Balance, June 30, 2014	$ 947,106	$ 948,387	$ 1,281

See notes to the basic financial statements.

Other Supplementary Information

ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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, 2014. The District is currently operating one state preschool, three elementary schools, and one intermediate school.

Board of Trustees

Name	Office	Term Expires
Anabel Rubio	President	November, 2014
Janie Arvizu	Clerk	November, 2016
Tim Owens	Member	November, 2014
Maria Ortiz	Member	November, 2016
Joycene Tarver	Member	November, 2014

Administration

Michelle McLean
Superintendent

Kathie Kouklis
Assistant Superintendent through June 30, 2014

Georgia Rhett
Assistant Superintendent beginning July 1, 2014

Chris Davis
Chief Business Official

SCHEDULE OF AVERAGE DAILY ATTENDANCE

	District ADA		Audited ADA	
	Second Period	Annual	Second Period	Annual
Elementary				
Regular				
TK / K - 3	1,371.33	1,362.10	1,371.33	1,362.10
Grades 4 - 6	925.97	951.40	925.97	951.40
Grades 7 - 8	703.17	707.17	703.17	707.17
Extended year special education-- special day class	2.63	2.63	2.63	2.63
ADA Totals	3,003.10	3,023.30	3,003.10	3,023.30

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, 2014

SCHEDULE OF INSTRUCTIONAL TIME

Grade Level	1986-87 Required Minutes	1986-87 Required Minutes as Reduced	2013-14 Offered Minutes	Days Offered	Status
Kindergarten	36,000	35,000	55,904 - 59,374	180	In Compliance
Grade 1	50,400	49,000	53,699 - 56,104	180	In Compliance
Grade 2	50,400	49,000	53,699 - 56,104	180	In Compliance
Grade 3	50,400	49,000	53,699 - 56,104	180	In Compliance
Grade 4	54,000	52,500	53,699 - 56,369	180	In Compliance
Grade 5	54,000	52,500	53,699 - 56,369	180	In Compliance
Grade 6	54,000	52,500	53,699 - 56,369	180	In Compliance
Grade 7	54,000	52,500	58,579	180	In Compliance
Grade 8	54,000	52,500	58,579	180	In Compliance

Districts must maintain their instructional minutes as required by Education Code Sections 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 did not meet or exceed its Local Control Funding Formula target funding.

For fiscal year 2013-14, the minimum instructional time is reduced pursuant to the provisions of Education Code Section 46201.2, and the minimum number of days is reduced to 175 days.

ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

General Fund	(Budget) 2015	2014	2013	2012
Revenues and Other Financing Sources	$ 30,336,235	$ 29,239,131	$ 26,792,898	$ 33,817,780
Expenditures	29,467,174	30,781,407	28,643,414	27,070,816
Other Financing Uses and Transfers Out	-	-	-	5,122
Total Outgo	29,467,174	30,781,407	28,643,414	27,075,938
Change in Fund Balance	$ 869,061	$ (1,542,276)	$ (1,850,516)	$ 6,741,842
Ending Fund Balance	$ 9,037,383	$ 8,168,322	$ 9,710,598	$ 11,561,114
Unassigned Fund Balance	$ 1,660,322	$ -	$ 21,457	$ 3,479,622
Reserve for Economic Uncertainties	2,393,875	2,694,177	2,040,668	
Available Reserves	$ 4,054,197	$ 2,694,177	$ 2,062,125	$ 3,479,622
Available Reserves as a Percentage of Total Outgo	13.76%	8.75%	7.20%	12.85%
Total Long-Term Debt	$ 18,864,497	$ 18,411,546	$ 17,752,751	$ 17,516,314
Average Daily Attendance at P-2--Traditional	3,003	3,003	3,003	3,038

This schedule discloses the District's financial trends by displaying past years' data along with budget information for the fiscal year ending June 30, 2015. 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 decreased by $3,392,792 over the past two years. The fiscal year 2014-2015 budget projects an increase of $869,061 (10.6%). 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 incurring an operating deficit during the 2014-2015 fiscal year.

Total long-term debt has increased by $895,232 over the past two years.

Average daily attendance has decreased by 35 over the past two years. During fiscal year 2014-2015, no change in ADA is anticipated.

ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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			
	Direct Grant			
	Twenty-First Century Community Learning Centers	84.287	14349	$ 13,887
	Passed through California Department of Education (CDE)			
*	Title I Grants to Local Educational Agencies	84.010	14329	1,965,298
	Migrant Education--State Grant Program	84.011	14326	590,565
1	Special Education--Grants to States	84.027	13379, 13682	481,056
1	Special Education--Preschool Grants	84.173	13430	8,859
	Even Start--Migrant Education (MEES)	84.214	10030	46,108
	State Grants for Innovative Programs	84.298	14354	8,183
	English Language Acquisition State Grants	84.365	10084, 14346	236,944
	Improving Teacher Quality State Grants	84.367	14341	252,914
	Total U. S. Department of Education			3,603,814
	U. S. Department of Agriculture			
	Passed through CDE			
* 2	School Breakfast Program	10.553	13526	608,518
* 2	National School Lunch Program	10.555	13523, 13524	1,512,827
	Child and Adult Care Food Program	10.558	13393	278,901
	Fresh Fruit and Vegetable Program	10.582	14968	116,334
	Total U. S. Department of Agriculture			2,516,580

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services			
Passed through State Department of Health Services			
3 Medical Assistance Program	93.778	10013	$ 36,900
Total Expenditures of Federal Awards			$ 6,157,294

* = Major Federal Program

1 = Special Education Cluster (IDEA)
2 = Child Nutrition Cluster
3 = Medicaid Cluster

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:		$ 6,136,287
Reconciling items:		
Medical Assistance Program	93.778	21,007
Total Expenditures of Federal Awards		$ 6,157,294

See notes to schedule of expenditures of federal awards.

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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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 $94,929 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.

* * *

ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS 2014) WITH AUDITED FINANCIAL STATEMENTS, ALL GOVERNMENTAL FUNDS

	General Fund	Child Development Fund
Annual Financial and Budget Report (SACS 2014) Fund Balances	$ 1,774,016	$ 196
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balances		
Increase (Decrease) in Assets		
Investments with Fiscal Agent	-	-
Accounts receivable	-	-
Due from other Funds	(39,732)	(74,732)
Stores inventories	-	-
Prepaid expenditures	-	-
(Increase) Decrease in Liabilities		
Due to other Funds	39,732	74,732
Unearned revenue	-	-
Reclassification of Funds per GASB 54	6,394,306	-
Net Adjustments and Reclassifications	6,394,306	-
Audited Financial Statements Fund Balances	$ 8,168,322	$ 196

This schedule provides the information necessary to reconcile the fund balances of all Funds reported on SACS 2014 forms to the audited financial statements.

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

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Special Reserve Fund for Postemployment Benefits	Special Reserve (Capital Projects) Fund
$ 349,521	$ 197,636	$ 2,370,154	$ 3,791,472	$ 600,105
-	-	25,377	9,667	25,377
19,191	-	-	-	-
-	-	-	-	-
18,581	-	-	-	-
33,900	-	-	-	-
-	-	-	-	-
29,028	-	-	-	-
-	(197,636)	(2,395,531)	(3,801,139)	-
100,700	(197,636)	(2,370,154)	(3,791,472)	25,377
$ 450,221	$ -	$ -	$ -	$ 625,482

ARVIN UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS 2014) FORM DEBT WITH AUDITED FINANCIAL STATEMENTS

Total Debt Reported on Form DEBT		$ 9,714,140
Adjustments to Reported Amounts		
General obligation bonds payable	$ 1,987,296	
Other general long-term debt	717,483	
Net OPEB obligation	5,992,627	
Total Adjustments		8,697,406
Total Debt Per Financial Statements		$ 18,411,546

This schedule provides the information necessary to reconcile the long-term debt reported on SACS 2014 Form DEBT to the audited financial statements.

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).

* * *

OTHER INDEPENDENT AUDITORS' REPORTS

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' 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, 2014, 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 4, 2014.

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 a certain deficiency in internal control that we consider to be a material weakness and other deficiencies in internal control that we consider to be significant deficiencies.

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

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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 2014-1.

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 2014-2 and 2014-3.

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 & Co.

December 4, 2014

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 *OMB Circular A-133 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, 2014. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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, 2014.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arvin Union School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 4, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Linger, Peterson, Shrum & Co.

December 4, 2014

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' 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 *California Code of Regulations (CCR)*, Title 5, Education, Division 1.5. Education Audit Appeals Panel, Chapter 3. Audits of California K-12 Local Educational Agencies for the year ended June 30, 2014.

Management's Responsibility

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

Auditors' 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 Standards and Procedures for Audits of California K-12 Local Educational Agencies, prescribed in the *California Code of Regulations (CCR)*, Title 5, Education, 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. The reference following each item is the section of *California Code of Regulations (CCR),* Title 5, Education, Division 1.5. Education Audit Appeals Panel, Chapter 3. Audits of California K-12 Local Educational Agencies where a detailed description of the applicable compliance requirements can be found.

Santa Maria Building • 575 E. Locust Ave., • Suite 308 • Fresno, Ca 93720-2928
(559) 438-8740 • FAX 438-8746

Description	CCR Section	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:			
Attendance reporting	19817.2	6	Yes
Teacher Certification and Misassignments	19817.5	3	Yes
Kindergarten continuance	19818	3	Yes
Independent study	19819	23	Not Applicable
Continuation education	19820	10	Not Applicable
Instructional Time:			
School districts	19824	10	Yes
Instructional Materials			
General requirements	19828.4	8	Yes
Ratios of Administrative Employees to Teachers	19829	1	Yes
Classroom Teacher Salaries	19829.5	1	Yes
Early Retirement Incentive	19830.1	4	Not Applicable
GANN Limit Calculation	19831	1	Yes
School Accountability Report Card	19837.3	3	Yes
Juvenile Court Schools	19840	8	Not Applicable
Local Control Funding Formula Certification	19843	1	Yes
California Clean Energy Jobs Act	19844	3	Yes
After School Education and Safety Program			
General requirements	19846.1	4	Yes
After school	19846.1	5	Yes
Before school	19846.1	6	Not Applicable
Education Protection Account Funds	19847	1	Yes
Common Core Implementation Funds	19848	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	19849	3	Yes
Contemporaneous Records of Attendance for Charter Schools	19850	8	Not Applicable
Mode of Instruction for Charter Schools	19851	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	19852	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	19853	3	Not Applicable
Annual Instructional Minutes-- Classroom-Based for Charter Schools	19854.1	4	Not Applicable
Charter School Facility Grant Program	19855	1	Not Applicable

Opinion on State Compliance

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 State Programs identified in the Auditors' Responsibility section above for the year ended June 30, 2014.

Linger, Peterson, Shrum & Co.

December 4, 2014

FINDINGS AND RECOMMENDATIONS SECTION

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?	No
Type of Auditors' Report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over State programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Type of Auditors' Report issued on compliance for State programs:	Unmodified

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*.

2014-1 Internal Control [30000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

There were no questioned costs related to this finding.

Perspective

This weakness applies to the entire internal control structure over the Student Body Funds.

Effect

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

Cause

There are not enough District employees involved in these Funds to adequately separate the duties.

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.

2014-2 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. 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 General Fund Clearing Account for 2013-2014 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, 2014 was booked as accounts receivable in order the report the revenue in the proper period.

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.

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.

2014-3 Internal Control [30000] - Bear Mountain Elementary School Student Body Fund

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

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

Condition

Out of twelve randomly selected expenditures tested, nine invoices were for inappropriate expenditures. The expenditures were for various items including curriculum supplies, music supplies, and office supplies and equipment.

Questioned Costs

The questioned costs related to this finding are $3,912.

Perspective

	Inappropriate Expenditures	
	Quantity	Amount
Population	104	$ 54,239
Sample Size	12	5,297
Findings	9	3,912

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.

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 Bear Mountain Elementary Student Body Fund $3,912 for the questioned costs.

Views of Responsible Officials and Planned Corrective Actions

For the 2014-2015 school year, an internal audit of internal accounting controls will be conducted periodically. The General Fund will reimburse the Bear Mountain Elementary Student Body Fund $3,912 for the questioned costs.

ARVIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (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.

There were no State award findings or questioned costs.

* * *

ARVIN UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2014

Finding Number	Findings/Recommendations	Status	District Explanation if Not Fully Implemented
2013-1	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 2014-1.
2013-2	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	See current-year Finding 2014-2.
2013-3	Some randomly selected invoices did not have proper cancellation. All invoices should have clear markings on the face of the documents, indicating that payment has been made, to avoid duplicate payments.	Implemented	
2013-4	For the Title I Program and the Nutrition Cluster, some randomly selected expenditures were not cancelled upon payment. All invoices should have clear markings on the face of the documents, indicating that payment has been made, to avoid duplicate payments.	Implemented	
2013-5	For the Bear Mountain Elementary School Student Body Fund, one randomly selected expenditure was a donation to a 501(c)(3) in honor of an individual, which is a prohibited expenditure. All expenditures should be approved in advance by an individual who can determine appropriate expenditures.	Not implemented	See current-year Finding 2014-3.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Arvin Union School District (the "District") in connection with the execution and delivery of $3,115,000 aggregate principal amount of General Obligation Bonds Election of 2014, Series 2015A (the "Series A Bonds") and $3,860,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2015A (the "Refunding Bonds," and, together with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on April 21, 2015 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Official Purchaser described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the entity submitting the successful bid for the purchase of the Bonds in a qualified response to the Notice of Sale and named in the Certificate of Award (the "Original Purchaser") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"Dissemination Agent" shall mean the District, or any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing. Initially, the Dissemination Agent shall be Fieldman, Rolapp & Associates.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

"Material Event" means any of the events listed in Section 6(b) of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Designated Material Event or Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"State" shall mean the State of California.

SECTION 3. CUSIP® Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated June 10, 2015.

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 270 days after the end of the District's Fiscal Year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2015, to provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the EMMA System as soon as practical after it has been made available to the District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations for the preceding fiscal year;

(ii) General fund budget and actual results for the preceding fiscal year;

(iii) Average daily attendance and State funding information, as may be reasonably available, for the preceding fiscal year;

(iv) Assessed valuations for the current fiscal year; and

(v) Largest local secured taxpayers for the current fiscal year.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the EMMA System or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Material Events and Material Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following Designated Material Events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;

(iv) Substitution of or failure to perform by any credit provider;

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender offers;

(vii) Defeasances

(viii) Rating changes; and

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following Material Events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Upon the occurrence of a Designated Material Event described in Section 6(a) hereof, or if the District determines that knowledge of a Material Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence of the Designated Material Event or Material Event file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Designated Material Event described in subsection (a)(vii) or a Material Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Designated Material Event or a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event or Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event or Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Original Purchaser and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: June 24, 2015

ARVIN UNION SCHOOL DISTRICT

By: ______________________________

Superintendent

ACCEPTED:

FIELDMAN, ROLAPP & ASSOCIATES, as Dissemination Agent

By: ______________________________

Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: ARVIN UNION SCHOOL DISTRICT

Name of Issue: $3,115,000 General Obligation Bonds Election of 2014, Series 2015A
$3,860,000 General Obligation Refunding Bonds, Series 2015A

Date of Issuance: June 24, 2015

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated June 24, 2015. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: _______________________________

[ISSUER/DISSEMINATION AGENT]

By: _______________________________________

cc: Arvin Union School District

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, as to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount or Maturity Value of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Such information is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on

DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)