

SOUTHERN KERN UNIFIED SCHOOL DISTRICT

KERN COUNTY
ROSAMOND, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2014

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

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Financial Section



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INDEPENDENT AUDITOR'S REPORT

Jeanette L. Garcia,
CPA

To the Board of Trustees
Southern Kern Unified School District
Rosamond, 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 the Southern Kern Unified 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 Southern Kern Unified School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, General Fund Budgetary Comparison Schedule on page 40 and Other Postemployment Benefits Schedule of Funding Progress on page 41 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 Southern Kern Unified School District's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplemental information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other supplementary information and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Southern Kern Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Kern Unified School District's internal control over financial reporting and compliance.



Redlands, California
December 9, 2014

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

INTRODUCTION

The Management's Discussion and Analysis of Southern Kern Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Southern Kern Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The "Statement of Net Position" and "Statement of Activities" provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. "Fund Financial Statements" provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all special revenue funds and other non-major funds presented in total.
- The major funds for Southern Kern Unified School District are the General Fund, the Building Fund, the Capital Facilities Fund, and the County School Facilities Fund.
- The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances.

FINANCIAL HIGHLIGHTS

- The Southern Kern Unified School District's Government-wide Statement of Net Position shows Total Net Position of \$10,477,268, the result of assets of \$45,958,469 less liabilities of \$35,481,201.
- General Revenues accounted for \$22,634,071 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,612,715 or 20% of total revenues of \$28,246,786.
- The District had \$33,850,737 in expenses related to governmental activities; only \$5,612,715 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state revenue limit sources and property taxes) of \$22,634,071 did not provide the remaining \$28,238,022 required for these programs. This resulted in a change in Total Net Position of \$(5,603,951).
- The General Fund reported a positive fund balance of \$3,454,701.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

REPORTING THE DISTRICT AS A WHOLE
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▪ THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position" and "The Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. However, the Southern Kern Unified School District's goal is to provide services to our students, not to generate profits as commercial entities do. The reader will need to consider other non-financial factors as well as factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

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

- Governmental Activities – Most of the District's programs and services are reported here, including instruction, pupil services including transportation and food services, administration, plant services, facilities acquisition and construction, interest on the long-term debt and other services.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. Southern Kern Unified School District does not have any of these types of activities at this time.

▪ FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

▪ GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. Governmental funds include most of the primary funds of the District.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

▪ FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body funds.

The Southern Kern Unified School District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Assets and Liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Southern Kern Unified School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

▪ NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

▪ THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2014 and 2013.

Table 1 - Net Position

	Governmental Activities		% Change
	2014	2013 *	
Current and Other Assets	\$ 13,034,208	\$ 15,574,984	(16.3)
Capital Assets	32,924,261	32,402,952	1.6
Total Assets	<u>45,958,469</u>	<u>47,977,936</u>	(4.2)
Current Liabilities	2,759,662	2,694,688	2.4
Long-Term Debt	32,721,539	29,202,029	12.0
Total Liabilities	<u>35,481,201</u>	<u>31,896,717</u>	11.2
Net Investment in Capital Assets	5,308,333	7,352,024	(27.8)
Restricted	7,969,821	8,827,990	(9.7)
Unrestricted	(2,800,886)	(98,795)	(2735.0)
Total Net Position	<u>\$ 10,477,268</u>	<u>\$ 16,081,219</u>	(34.8)

* Restated

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2 - Changes in Net Position

	Governmental Activities		% Change
	2014	2013	
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 107,460	\$ 164,962	(34.9)
Operating Grants and Contributions	5,505,255	5,506,533	0.0
<i>General Revenues:</i>			
State and Federal Sources	13,475,140	15,281,155	(11.8)
Property Taxes	8,581,447	4,634,260	85.2
Other General Revenue	577,484	416,043	38.8
Total Revenues	<u>28,246,786</u>	<u>26,002,953</u>	8.6
Expenses			
Instruction	21,023,885	16,548,578	27.0
Pupil Services	4,302,618	3,247,782	32.5
Administration	2,660,291	2,030,379	31.0
Maintenance and Operations	3,556,737	3,229,429	10.1
Other	2,307,206	1,984,429	16.3
Total Expenses	<u>33,850,737</u>	<u>27,040,597</u>	25.2
Change in Net Position	<u>\$ (5,603,951)</u>	<u>\$ (1,037,644)</u>	(440.1)

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

▪ GOVERNMENTAL ACTIVITIES

Charges for services, operating grants and contributions made up 20% of revenues for governmental activities. General Revenues not restricted to specific programs made up 80% of the total revenues available. Instruction related activities made up 62% of expenses. Pupil services including home-to-school transportation and food services made up 13%. Administration including data processing made up 8%. Maintenance and operations including facility acquisition and construction made up 10%.

“Statement of Activities” (Exhibit B) shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 compares the total cost of services and the net cost of services between 2013-14 and 2012-13. The net cost of these services is the cost supported by tax revenue and unrestricted state entitlements.

Table 3 - Total and Net Cost of Governmental Activity

	Total Cost			
	2014	%	2013	%
Instruction	\$ 21,023,885	62	\$ 16,548,578	61
Pupil Services	4,302,618	13	3,247,782	12
Administration	2,660,291	8	2,030,379	8
Maintenance and Operations	3,556,737	10	3,229,429	12
Other	2,307,206	7	1,984,429	7
Total	<u>\$ 33,850,737</u>	<u>100</u>	<u>\$ 27,040,597</u>	<u>100</u>

	Net Cost			
	2014	%	2013	%
Instruction	\$ 17,665,697	63	\$ 13,600,253	64
Pupil Services	2,403,837	9	1,045,517	5
Administration	2,627,456	9	1,847,424	8
Maintenance and Operations	3,523,874	12	3,225,864	15
Other	2,017,158	7	1,650,044	8
Total	<u>\$ 28,238,022</u>	<u>100</u>	<u>\$ 21,369,102</u>	<u>100</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

GENERAL FUND BUDGET INFORMATION
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The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

In April of each year, a Preliminary Budget is presented to the Board. Time is allocated during the Board meeting for public input and Board direction. A Tentative Budget is presented in late May, which reflects the latest known financial information, including the Governor's May Revise of the state budget. The Final Budget is presented for adoption in late June. During the course of the fiscal year, the District revises its budget as it deals with changes in revenues and expenditures. These reports include revisions based on state budget adoption that are normally presented in August if the state has an on-time budget. Adjustments to Actuals are presented in September, First Interim is normally presented in December, and Second Interim is normally presented in March.

▪ GENERAL FUND BUDGET VARIATIONS

For the General Fund, actual revenues were \$24,728,826 with original budget estimated at \$23,456,979. The difference of \$1,271,847 was due to conservative budgeting for funding and the removal of prior year accruals.

There are several reasons for expenditure budget revisions. Most notable are any negotiated salary increases approved by the Board of Trustees for District employees. The original budget does not presume negotiated salary increases. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also require budget revisions.

The implementation of new instructional programs can also affect budget projections. New academically focused programs will impact expenditures in personnel, instructional materials, outside services and supplies.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

▪ CAPITAL ASSETS AND DEBT ADMINISTRATION

• CAPITAL ASSETS

At the end of the fiscal year 2014, the District had \$32,924,261 invested in land, buildings and improvements, furniture and equipment, and work in progress. Table 4 shows fiscal years 2014 and 2013.

Table 4 - Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 890,449	\$ 890,449
Buildings and Improvements	26,242,401	26,644,969
Furniture and Equipment	469,095	793,391
Work in Progress	5,322,316	4,074,143
Total	<u>\$ 32,924,261</u>	<u>\$ 32,402,952</u>

• DEBT

At June 30, 2014, the Southern Kern Unified School District had \$32,721,539 in debt outstanding. Table 5 summarizes these debts.

Table 5 - Outstanding Debt at Year-End

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 27,615,928	\$ 25,050,928
Compensated Absences	200,198	174,868
Other Postemployment Benefits	4,850,413	3,866,233
Other General Long-Term Debt	55,000	110,000
Total	<u>\$ 32,721,539</u>	<u>\$ 29,202,029</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2014

FOR THE FUTURE

SKUSD implemented significant programs in 2013/14 with new one-to-one devices and electronic curriculum at Tropico Middle School. Concurrently, there was an upgrade to our overall district technology infrastructure and curriculum purchases to update older textbooks. In addition to these projects, there were new positions for safety and additional support staff created and filled.

The enrollment and attendance rates did increase for 2013/14. Continued student growth is expected as SKUSD attracts students from neighboring districts with our academic programs, technology equipment, afterschool programs, music programs, athletic programs at the middle school and high school, college campus, and other opportunities.

Looking to the future, the District will start plans on renovations for Rosamond Elementary School using the latest voter approved bonds. Rosamond High School will be getting one-to-one devices in 2014/2015 with new curriculum as well. The elementary schools will follow with technology improvements in the following years.

The management of SKUSD continues to remain committed to providing the highest quality education while ensuring the financial stability of the District.

▪ CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeffrey Weinstein, Chief Administrative Officer, Southern Kern Unified School District, (661) 256-5000 Ext. 1114.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
 JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash (Note 2)	\$ 11,425,353
Accounts Receivable (Note 3)	1,588,926
Inventory (Note 1)	19,929
Total Current Assets	<u>13,034,208</u>
Capital Assets: (Note 6)	
Land	890,449
Site Improvements	1,903,945
Buildings	34,854,312
Furniture and Equipment	1,830,493
Work in Progress	5,322,316
Less Accumulated Depreciation	<u>(11,877,254)</u>
Total Capital Assets	<u>32,924,261</u>
 TOTAL ASSETS	 <u>45,958,469</u>
<u>LIABILITIES</u>	
Accounts Payable and Other Current Liabilities	2,656,711
Unearned Revenue	102,951
Total Current Liabilities	<u>2,759,662</u>
Long-Term Liabilities: (Note 7)	
Portion Due or Payable Within One Year	2,292,917
Portion Due or Payable After One Year	30,428,622
Total Long-Term Liabilities	<u>32,721,539</u>
 TOTAL LIABILITIES	 <u>35,481,201</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	5,308,333
Restricted for:	
Capital Projects	5,356,837
Debt Services	1,567,927
Educational Programs	972,951
Other Purposes (Expendable)	34,177
Other Purposes (Nonexpendable)	37,929
Unrestricted	<u>(2,800,886)</u>
 TOTAL NET POSITION	 <u>\$ 10,477,268</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental:					
Instruction	\$ 17,782,169	\$ -	\$ 3,194,261	\$ -	\$ (14,587,908)
Instruction-Related Services:					
Supervision of Instruction	12,782	-	5,421	-	(7,361)
Instructional Library, Media and Technology	404,592	-	71,725	-	(332,867)
School Site Administration	2,824,342	-	86,781	-	(2,737,561)
Pupil Services:					
Home-to-School Transportation	1,602,003	-	54,773	-	(1,547,230)
Food Services	1,746,539	78,849	1,302,255	-	(365,435)
All Other Pupil Services	954,076	28,091	434,813	-	(491,172)
General Administration:					
Data Processing	284	-	-	-	(284)
All Other General Administration	2,660,007	-	32,835	-	(2,627,172)
Plant Services	3,556,737	520	32,343	-	(3,523,874)
Ancillary Services	412,753	-	211,351	-	(201,402)
Interest on Long-Term Debt	698,405	-	-	-	(698,405)
Other Outgo	290,560	-	78,697	-	(211,863)
Depreciation (Unallocated)	905,488	-	-	-	(905,488)
Total Governmental Activities	<u>\$ 33,850,737</u>	<u>\$ 107,460</u>	<u>\$ 5,505,255</u>	<u>\$ -</u>	<u>(28,238,022)</u>
General Revenues:					
Taxes:					
Property Taxes, levied for general purposes					6,758,030
Property Taxes, levied for debt service					1,821,091
Property Taxes, levied for other specific purposes					2,326
Federal and State Aid not restricted to specific purposes					13,475,140
Interest and Investment Earnings					56,647
Miscellaneous					520,837
Total General Revenues					<u>22,634,071</u>
Change in Net Position					<u>(5,603,951)</u>
Net Position - July 1, 2013, as Previously Reported					15,903,520
Adjustment for Restatement (Note 19)					<u>177,699</u>
Net Position - July 1, 2013, as Restated					<u>16,081,219</u>
Net Position - June 30, 2014					<u>\$ 10,477,268</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2014

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Cash (Note 2)						
Cash in County Treasury	\$ 2,042,305	\$ 2,920,338	\$ 1,490,455	\$ 3,222,023	\$ 1,732,232	\$ 11,407,353
Cash in Revolving Fund	15,500	-	-	-	2,500	18,000
Account Receivable (Note 3)	154,573	2,498	1,263	2,780	154,244	315,358
Due from Grantor Government (Note 3)	1,273,568	-	-	-	-	1,273,568
Due from Other Funds (Note 4A)	2,411,629	-	231,078	250,000	770	2,893,477
Inventory	19,929	-	-	-	-	19,929
TOTAL ASSETS	<u>\$ 5,917,504</u>	<u>\$ 2,922,836</u>	<u>\$ 1,722,796</u>	<u>\$ 3,474,803</u>	<u>\$ 1,889,746</u>	<u>\$ 15,927,685</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts Payable	\$ 1,563,941	\$ 20,748	\$ 37,245	\$ 64,772	\$ 39,782	\$ 1,726,488
Due to Grantor Government	795,141	-	-	-	-	795,141
Due from Other Funds (Note 4A)	770	1,133,136	1,456,538	53,033	250,000	2,893,477
Unearned Revenue	102,951	-	-	-	-	102,951
Total Liabilities	<u>2,462,803</u>	<u>1,153,884</u>	<u>1,493,783</u>	<u>117,805</u>	<u>289,782</u>	<u>5,518,057</u>
Fund Balances (Note 5)						
Nonspendable	35,429	-	-	-	2,500	37,929
Restricted	972,951	-	-	3,344,768	27,663	4,345,382
Assigned	6,514	1,768,952	229,013	12,230	1,569,801	3,586,510
Unassigned	2,439,807	-	-	-	-	2,439,807
Total Fund Balances	<u>3,454,701</u>	<u>1,768,952</u>	<u>229,013</u>	<u>3,356,998</u>	<u>1,599,964</u>	<u>10,409,628</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,917,504</u>	<u>\$ 2,922,836</u>	<u>\$ 1,722,796</u>	<u>\$ 3,474,803</u>	<u>\$ 1,889,746</u>	<u>\$ 15,927,685</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 10,409,628
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Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. The cost of the assets is \$44,801,515 and the accumulated depreciation is \$11,877,254.	32,924,261
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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 at year-end consist of:

General Obligation Bonds	\$ 27,615,928	
Compensated Absences	200,198	
Other Postemployment Benefits	4,850,413	
Employee Retirement Incentives	55,000	(32,721,539)

In the governmental funds, interest expense is recorded when paid. In the government-wide statements, interest is recorded when it is incurred.	(135,081)
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Adjustment for Rounding	(1)
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Total Net Position - Governmental Activities	\$ 10,477,268
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The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Local Control Funding Formula Sources						
State Apportionments	\$ 12,810,549	\$ -	\$ -	\$ -	\$ -	\$ 12,810,549
Local Sources	6,758,030	-	-	-	-	6,758,030
LCFF Transfers	(8,664)	-	-	-	-	(8,664)
Total LCFF Sources	19,559,915	-	-	-	-	19,559,915
Federal Revenues	1,801,211	-	-	-	1,225,201	3,026,412
Other State Revenues	1,645,579	-	-	-	104,644	1,750,223
Other Local Revenues	1,722,136	15,248	263,014	15,646	1,894,193	3,910,237
Total Revenues	24,728,841	15,248	263,014	15,646	3,224,038	28,246,787
<u>EXPENDITURES</u>						
Instruction	16,209,446	-	-	-	-	16,209,446
Instruction-Related Services:						
Supervision of Instruction	12,423	-	-	-	-	12,423
Instructional Library, Media and Technology	388,747	-	-	-	-	388,747
School Site Administration	2,750,085	-	-	-	-	2,750,085
Pupil Services:						
Home-to-School Transportation	1,574,320	-	-	-	-	1,574,320
Food Services	-	-	-	-	1,731,296	1,731,296
All Other Pupil Services	919,022	-	-	-	-	919,022
General Administration:						
Data Processing	284	-	-	-	-	284
All Other General Administration	1,873,793	-	15,119	-	-	1,888,912
Plant Services	3,427,710	-	72,466	-	14,290	3,514,466
Facilities Acquisition and Construction	3,536	1,258,718	70,650	1,706,785	4,620	3,044,309
Ancillary Services	395,261	-	-	-	-	395,261
Other Outgo	172,953	117,607	-	-	-	290,560
Debt Service:						
Principal	-	-	-	-	435,000	435,000
Interest	-	-	-	-	661,545	661,545
Total Expenditures	27,727,580	1,376,325	158,235	1,706,785	2,846,751	33,815,676
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,998,739)	(1,361,077)	104,779	(1,691,139)	377,287	(5,568,889)
<u>OTHER FINANCING SOURCES (USES)</u>						
Interfund Transfers In (Note 4B)	-	-	-	-	5,400	5,400
Interfund Transfers Out (Note 4B)	(5,400)	-	-	-	-	(5,400)
Proceeds from Sale of Bonds	-	2,929,492	-	-	70,508	3,000,000
Total Other Financing Sources (Uses)	(5,400)	2,929,492	-	-	75,908	3,000,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(3,004,139)	1,568,415	104,779	(1,691,139)	453,195	(2,568,889)
<u>FUND BALANCES - JULY 1, 2013, as Previously Reported</u>						
	4,824,603	200,537	1,580,772	5,048,137	1,146,769	12,800,818
Adjustment for Restatement (Note 19)	1,634,237	-	(1,456,538)	-	-	177,699
<u>FUND BALANCES - JULY 1, 2013, as Restated</u>	6,458,840	200,537	124,234	5,048,137	1,146,769	12,978,517
<u>FUND BALANCES - JUNE 30, 2014</u>	\$ 3,454,701	\$ 1,768,952	\$ 229,013	\$ 3,356,998	\$ 1,599,964	\$ 10,409,628

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (2,568,889)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$2,120,342 exceed depreciation expense of \$905,488 in the period.	1,214,854
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	435,000
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In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities.	(3,000,000)
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In governmental funds, compensated absences and other postemployment benefits are measured by the amounts paid during the period. In the government-wide statements, they are measured by the amounts earned.	(954,510)
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In the governmental funds, interest is recorded when it is paid. In the government-wide statements, interest is recorded when it is incurred.	(36,860)
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As a result of an appraisal of the capital assets, an adjustment was made to adjust the balance of capital assets to agree to the appraisal.	(693,545)
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Adjustment for Rounding.	(1)
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Change in Net Position of Governmental Activities	<u><u>\$ (5,603,951)</u></u>
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The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 JUNE 30, 2014

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash (Note 2)	
Cash on Hand and in Banks	\$ 105,121
 TOTAL ASSETS	 \$ 105,121
<u>LIABILITIES</u>	
Accounts Payable	\$ -
Due to Student Groups	105,121
 TOTAL LIABILITIES	 \$ 105,121

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southern Kern Unified School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 balance or retained earnings, revenues and expenditures or expenses, as appropriate. 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 accounts are organized into major, nonmajor, and fiduciary funds.

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Capital Facilities Fund is used to account for resources received from developer fees.

County School Facilities Fund was established for the purpose of construction and/or modernization of school facilities as authorized by SB50 and Proposition 1A.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay and that compose a substantial portion of the fund's resources. The District maintains four nonmajor special revenue funds.

- Adult Education Fund is used to account for resources dedicated to adult education programs maintained by the District. Due to the implementation of GASB 54, the Adult Education Fund has been consolidated with the General Fund for reporting purposes.
- Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
- Deferred Maintenance Fund is used for the purpose of major repair of District property. Due to the implementation of GASB 54, the Deferred Maintenance Fund has been consolidated with the General Fund for reporting purposes.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- Special Reserve Fund - Other than Capital Outlay is used to set aside funds to protect the District from unforeseen economic events. Due to the implementation of GASB 54, the Special Reserve Fund has been consolidated with the General Fund for reporting purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The District maintains one nonmajor debt service fund.

- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of District bonds, interest and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains one nonmajor capital projects fund.

- Special Reserve Fund is used to account for revenues received and expenditures made in connection with the maintenance of District property.

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 each school that operates an associated student body.

Basis of Presentation

Government-Wide Financial Statements:

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

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, 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. 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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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 governmental funds. By State law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2014.

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.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

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 outstanding encumbrances were liquidated at June 30.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventory in the General Fund consists mainly of expendable supplies held for consumption. Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and the cost is recorded as an expenditure at the time individual inventory items are requisitioned. Inventories are valued on the weighted average method. 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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Site Improvements	20-30
Building and Improvements	25-30
Furniture and Equipment	5-10
Vehicles	10

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

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.

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. Bonds payable are reported as net of applicable bond premium or discount.

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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Net Position in the Government-Wide Financial Statements

In the government-wide Statement of Net Position, the net position amount can be classified and displayed in three components:

- Net Investment in Capital Assets – This consists of capital assets net of accumulated depreciation and reduced by any long term borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted – This consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance Reserves and Designations

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Local Control Funding Formula/Property Tax

As a result of the 2013-14 state budget package, the District's state apportionments are based on a new Local Control Funding Formula (LCFF). The LCFF creates base, supplemental, and concentration grants (by grade span) in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Full implementation of LCFF is estimated to be in fiscal year 2020-21. Until then, the District will receive approximately the same level of funding as in 2012-13, plus an additional amount each year to bridge the gap between current year funding and the LCFF target levels.

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 the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

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 distributions 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 1 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 LCFF sources by the District.

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

2. CASH AND DEPOSITS

Cash at June 30, 2014, consisted of the following:

	Governmental Funds	Agency Funds	Total
Pooled Funds:			
Cash in County Treasury	\$ 11,407,353	\$ -	\$ 11,407,353
Deposits:			
Cash on Hand and in Banks	-	105,121	105,121
Cash in Revolving Fund	18,000	-	18,000
Total	<u>\$ 11,425,353</u>	<u>\$ 105,121</u>	<u>\$ 11,530,474</u>

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the investment pool which has a balance on June 30, 2014 of \$2,194,542,000. 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. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The fair market value of this pool as of June 30, 2014, as provided by the pool sponsor, was \$2,175,860,000. The County is required 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.

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. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Kern County Investment Pool with a fair value of approximately \$11,310,243 and an amortized book value of \$11,407,353. The average weighted maturity for this pool is 558 days.

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. ACCOUNTS RECEIVABLE

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

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
Accounts Receivable						
Federal Sources						
Categorical Aid Programs	\$ 96,124	\$ -	\$ -	\$ -	\$ -	\$ 96,124
Child Nutrition Program	-	-	-	-	146,024	146,024
State Sources						
Child Nutrition Program	-	-	-	-	8,033	8,033
Local Sources						
Local Government	54,700	-	-	-	-	54,700
Interest	3,749	2,498	1,263	2,780	187	10,477
Total Accounts Receivable	154,573	2,498	1,263	2,780	154,244	315,358
Due from Grantor Government						
Federal Sources						
Categorical Aid Programs	312,565	-	-	-	-	312,565
State Sources						
Categorical Aid Programs	293,509	-	-	-	-	293,509
LCFF	667,494	-	-	-	-	667,494
Total Due from Grantor Government	1,273,568	-	-	-	-	1,273,568
Total Receivables	\$ 1,428,141	\$ 2,498	\$ 1,263	\$ 2,780	\$ 154,244	\$ 1,588,926

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. INTERFUND TRANSACTIONS

Interfund transactions are 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 occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Receivables/Payables (Due To/Due From)

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

DUE FROM	DUE TO				TOTAL
	GENERAL FUND	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	
General Fund	\$ -	\$ -	\$ -	\$ 770	\$ 770
Building Fund	955,091	178,045	-	-	1,133,136
Capital Facilities Fund	1,456,538	-	-	-	1,456,538
County School Facilities Fund	-	53,033	-	-	53,033
All Other Governmental Funds	-	-	250,000	-	250,000
Total	<u>\$ 2,411,629</u>	<u>\$ 231,078</u>	<u>\$ 250,000</u>	<u>\$ 770</u>	<u>\$ 2,893,477</u>

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2013-14 fiscal year were as follows:

TRANSFERS FROM	TRANSFERS TO
	ALL OTHER GOVERNMENTAL FUNDS
General Fund	<u>\$ 5,400</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. FUND BALANCE

Ending fund balance in the individual fund types is composed of the following elements:

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
Nonspendable:						
Revolving Fund	\$ 15,500	\$ -	\$ -	\$ -	\$ 2,500	\$ 18,000
Inventory	19,929	-	-	-	-	19,929
Total Nonspendable Balances	35,429	-	-	-	2,500	37,929
Restricted to:						
Legally Restricted Balances	972,951	-	-	3,344,768	27,663	4,345,382
Assigned to:						
Other Assignments	6,514	1,768,952	229,013	12,230	1,569,801	3,586,510
Unassigned	2,439,807	-	-	-	-	2,439,807
Total Fund Balances	<u>\$ 3,454,701</u>	<u>\$ 1,768,952</u>	<u>\$ 229,013</u>	<u>\$ 3,356,998</u>	<u>\$ 1,599,964</u>	<u>\$ 10,409,628</u>

6. CAPITAL ASSETS AND DEPRECIATION

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

PRIMARY GOVERNMENT				
	Balance July 1, 2013	Additions	Adjustments/ Retirements	Balance June 30, 2014
Land	\$ 890,449	\$ -	\$ -	\$ 890,449
Site Improvements	1,903,945	-	-	1,903,945
Buildings	34,464,135	390,177	-	34,854,312
Furniture and Equipment	5,633,145	481,992	4,284,644	1,830,493
Work in Progress	4,074,143	1,638,350	390,177	5,322,316
Total at Historical Cost	<u>46,965,817</u>	<u>2,510,519</u>	<u>4,674,821</u>	<u>44,801,515</u>
Less Accumulated Depreciation for:				
Site Improvements	809,813	70,637	-	880,450
Buildings	8,913,298	722,108	-	9,635,406
Furniture and Equipment	4,839,754	112,743	3,591,099	1,361,398
Total Accumulated Depreciation	<u>14,562,865</u>	<u>905,488</u>	<u>3,591,099</u>	<u>11,877,254</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,402,952</u>	<u>\$ 1,605,031</u>	<u>\$ 1,083,722</u>	<u>\$ 32,924,261</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. LONG-TERM DEBT

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Bonds	\$ 25,050,928	\$ 3,000,000	\$ 435,000	\$ 27,615,928	\$ 773,032
Other Postemployment Benefits	3,866,233	984,180	-	4,850,413	1,464,885
Compensated Absences	174,868	25,330	-	200,198	-
Employee Retirement Incentives	110,000	-	55,000	55,000	55,000
Total	<u>\$ 29,202,029</u>	<u>\$ 4,009,510</u>	<u>\$ 490,000</u>	<u>\$ 32,721,539</u>	<u>\$ 2,292,917</u>

8. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2014, is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2013	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2014
2002 Series A	12/20/2002	2027	2.25-5.53%	\$ 5,498,334	\$ 2,178,334	\$ -	\$ 250,000	\$ 1,928,334
Series 2004	11/4/2004	2030	2.50-4.50%	2,647,114	2,432,115	-	30,000	2,402,115
Series 2006C	11/9/2006	2032	3.45-4.68%	3,853,288	3,478,288	-	100,000	3,378,288
Series 2008A	12/18/2008	2034	3.00-6.80%	4,056,633	4,046,633	-	15,000	4,031,633
Series 2010B	5/27/2010	2050	2.00-6.95%	6,960,719	6,930,719	-	20,000	6,910,719
2012 Series A	6/28/2012	2024	2.00-3.00%	2,185,000	2,165,000	-	20,000	2,145,000
2012 Series B	6/28/2012	2032	1.52-4.50%	3,819,839	3,819,839	-	-	3,819,839
2008 Series 2014A	2/6/2014	2024	3.15%	3,000,000	-	3,000,000	-	3,000,000
Total				<u>\$ 32,020,927</u>	<u>\$ 25,050,928</u>	<u>\$ 3,000,000</u>	<u>\$ 435,000</u>	<u>\$ 27,615,928</u>

The annual requirement to amortize the 2002, Series A general obligation bonds payable, outstanding at June 30, 2014, is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 130,000	\$ 76,834	\$ 206,834
2016	150,000	71,159	221,159
2017	110,000	65,774	175,774
2018	130,000	60,620	190,620
2019	150,000	54,401	204,401
2020-24	1,095,000	140,583	1,235,583
2025-27	163,334	2,181,666	2,345,000
Total	<u>\$ 1,928,334</u>	<u>\$ 2,651,037</u>	<u>\$ 4,579,371</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The annual requirement to amortize the Series 2004 general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 98,955	\$ 128,955
2016	25,000	97,992	122,992
2017	140,000	95,018	235,018
2018	140,000	89,680	229,680
2019	135,000	84,180	219,180
2020-24	635,000	341,435	976,435
2025-29	367,115	1,630,435	1,997,550
2030	930,000	41,850	971,850
Total	<u>\$ 2,402,115</u>	<u>\$ 2,479,545</u>	<u>\$ 4,881,660</u>

The annual requirement to amortize the Series 2006C general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 115,000	\$ 77,500	\$ 192,500
2016	130,000	72,600	202,600
2017	145,000	67,100	212,100
2018	165,000	60,900	225,900
2019	185,000	53,900	238,900
2020-24	1,255,000	135,100	1,390,100
2025-29	573,967	1,241,053	1,815,020
2030-32	809,321	2,460,679	3,270,000
Total	<u>\$ 3,378,288</u>	<u>\$ 4,168,832</u>	<u>\$ 7,547,120</u>

The annual requirement to amortize the Series 2008A general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 40,000	\$ 146,275	\$ 186,275
2016	65,000	144,356	209,356
2017	90,000	141,169	231,169
2018	125,000	136,466	261,466
2019	155,000	130,341	285,341
2020-24	1,195,000	500,137	1,695,137
2025-29	1,454,671	827,978	2,282,649
2030-34	906,962	5,338,591	6,245,553
Total	<u>\$ 4,031,633</u>	<u>\$ 7,365,313</u>	<u>\$ 11,396,946</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The annual requirement to amortize the Series 2010B general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 25,000	\$ 105,775	\$ 130,775
2016	35,000	104,875	139,875
2017	40,000	103,550	143,550
2018	50,000	101,750	151,750
2019	60,000	99,550	159,550
2020-24	445,000	447,925	892,925
2025-29	815,000	294,375	1,109,375
2030-34	735,000	57,625	792,625
2035-39	1,305,552	297,180	1,602,732
2040-44	1,631,361	11,545,143	13,176,504
2045-49	1,389,776	14,997,563	16,387,339
2050	379,030	5,291,481	5,670,511
Total	<u>\$ 6,910,719</u>	<u>\$ 33,446,792</u>	<u>\$ 40,357,511</u>

The annual requirement to amortize the 2012 Series A general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 170,000	\$ 58,950	\$ 228,950
2016	190,000	54,400	244,400
2017	150,000	49,300	199,300
2018	160,000	44,650	204,650
2019	185,000	39,475	224,475
2020-24	1,290,000	98,550	1,388,550
Total	<u>\$ 2,145,000</u>	<u>\$ 345,325</u>	<u>\$ 2,490,325</u>

The annual requirement to amortize the 2012 Series B general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 193,032	\$ 118,999	\$ 312,031
2016	169,706	122,325	292,031
2017	165,312	126,719	292,031
2018	154,550	132,482	287,032
2019	143,861	138,170	282,031
2020-24	771,387	773,769	1,545,156
2025-29	1,265,821	486,004	1,751,825
2030-32	956,170	149,505	1,105,675
Total	<u>\$ 3,819,839</u>	<u>\$ 2,047,973</u>	<u>\$ 5,867,812</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The annual requirement to amortize the 2014A Series general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 47,892	\$ 117,892
2016	195,000	92,432	287,432
2017	260,000	85,328	345,328
2018	290,000	76,787	366,787
2019	325,000	67,289	392,289
2020-24	1,860,000	157,406	2,017,406
Total	<u>\$ 3,000,000</u>	<u>\$ 527,134</u>	<u>\$ 3,527,134</u>

* Mandatory Sinking Fund Payment

The annual requirement to amortize general obligation bonds payable, outstanding at June 30, 2014, is summarized as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 773,032	\$ 731,180	\$ 1,504,212
2016	959,706	760,139	1,719,845
2017	1,100,312	733,958	1,834,270
2018	1,214,550	703,335	1,917,885
2019	1,338,861	667,306	2,006,167
2020-24	8,546,387	2,594,905	11,141,292
2025-29	4,639,908	6,661,491	11,301,399
2030-34	4,337,453	8,048,250	12,385,703
2035-39	1,305,552	9,297,180	10,602,732
2040-44	1,631,361	11,545,143	13,176,504
2045-49	1,389,776	14,997,563	16,387,339
2050	379,030	5,291,481	5,670,511
Total	<u>\$ 27,615,928</u>	<u>\$ 62,031,931</u>	<u>\$ 89,647,859</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS

The District implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension for the fiscal year ended June 30, 2014. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description. Certificated employees who are eligible to retire under CalSTRS or CalPERS with at least 12 years of services will receive a District contribution for the duration of which is dependent upon years of service. District-paid benefits may extend beyond age 65. Classified employees retiring after age 50 with 12 years of service will receive a District contribution for 5 years (benefits extend beyond age 65). Management/Confidential retirees receive retiree health benefits according to the Certificated bargaining agreement. District-paid benefits include all coverages (medical, prescription drug, dental, vision, and cancer) as well as the cost of spousal coverage. For retirements beginning with the 2008-09 school year, District-paid benefits are limited to the cap applicable to active employees in their classification.

Funding Policy. The District uses the pay-as-you-go method to fund the retirement liability. *Annual OPEB Cost and Net OPEB Obligation.* The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows 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.

	Government Activities
Annual required contribution (ARC)	\$ 1,464,885
Interest on net OPEB	154,649
Adjustment to ARC	<u>(223,585)</u>
Annual OPEB cost (expense)	1,395,949
Contribution made	<u>(411,769)</u>
Increase in OPEB obligation	984,180
OPEB obligation at beginning of year	<u>3,866,233</u>
OPEB obligation at end of year	<u><u>\$ 4,850,413</u></u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the OPEB obligation for 2014 was:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,382,519	29.02%	\$ 2,838,552
6/30/2013	1,367,748	24.86%	3,866,233
6/30/2014	1,395,949	29.49%	4,850,413

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$12,761,000. The annual payroll for active employees covered by the plan in the actuarial valuation for 2013-14 was \$15,116,291 for a ratio of the UAAL to covered payroll of 84.42%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions. The liabilities set forth in the actuarial study are based on the actuarial assumptions described below:

Measurement Date:	July 1, 2013
Actuarial Method:	Projected Unit Credit
Discount Rate:	4%
Trend Rate:	8% for Medical, 4% for Dental/Vision/Cancer

10. COMPENSATED ABSENCES

The total accumulated unpaid employee compensated absences as of June 30, 2014, amounted to \$200,198.

11. EMPLOYEE RETIREMENT INCENTIVES

In fiscal year 2011, the District offered an early retirement incentive program. Eligible employees who retired by the deadline of March 15, 2011, received a \$20,000 contribution to a 403(b) annuity contract or custodial account payable in \$5,000 annual payments for four years. Eleven employees accepted the incentive. As of June 30, 2014, the remaining obligation of the District is \$55,000.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2014, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund	
Certificated Salaries	\$ 75,973
Classified Salaries	672,551
Employee Benefits	1,164,291
Services and Other Operating Expenditures	867,020
Other Outgo	47,953

13. COUNTY PROPERTY TAX CONTINGENT LIABILITIES

Southern Kern Unified School District's share of the estimated property tax liability based on information gathered from the Office of the Auditor-Controller of the County of Kern through June 30, 2014, for litigation and other tax refund claims pending at that time are as follows:

Total Liabilities (as of June 30, 2014)	\$ 610,980
Less: Impounds (as of June 30, 2014)	<u>(195,067)</u>
Net Liability	<u><u>\$ 415,913</u></u>

It should be noted that these figures do not include any appeals or claims of litigation filed or compiled after June 30, 2014, but they do include provisions for valuation and taxes in dispute through June 30, 2014.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. JOINT POWERS AGREEMENTS

The Southern Kern Unified School District participates in three joint ventures under joint powers agreement (JPAs): Self Insured Schools of California I (SISC I), Self Insured Schools of California II (SISC II), and Self Insured Schools of California III (SISC III). The relationship between the Southern Kern Unified School District and the JPAs is such that none of the JPAs is a component unit of Southern Kern Unified School District for financial reporting purposes.

Self Insured Schools of California I, II and III

Purpose: Arranges for and provides workers compensation, property and liability, and health insurance coverage for their member districts.

Participants: School districts in Central and Southern California.

Governing Board: Each district provides one member for each governing board.

Summary audited financial information on the JPAs is as follows:

	SISC I 6/30/13	SISC II 6/30/13	SISC III 9/30/13
Total Assets	\$ 81,162,096	\$ 48,972,652	\$ 307,006,834
Total Liabilities	57,606,012	27,771,260	139,744,058
Net Position	<u>\$ 23,556,084</u>	<u>\$ 21,201,392</u>	<u>\$ 167,262,776</u>
Total Revenues	\$ 13,581,908	\$ 15,681,186	\$ 1,395,304,821
Total Expenditures	12,991,753	18,217,560	1,386,741,291
Net Increase (Decrease) in Net Position	<u>\$ 590,155</u>	<u>\$ (2,536,374)</u>	<u>\$ 8,563,530</u>

15. COMMITMENTS AND CONTINGENCIES

A. Federal and State 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 of audit discloses exceptions, the District may incur a liability to grantor agencies. Although such audits could generate expenditure disallowances under term of the grants, it is believed that any required reimbursements will not be material.

B. Pending Litigation

As of June 30, 2014, there are no claims of litigation involving the District.

C. Construction Commitments

As of June 30, 2014, the District had no construction commitments.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

16. ALTERNATIVE RETIREMENT PLAN

Plan Description

Effective October 1, 1994, the Southern Kern Unified School District adopted the SISC Defined Benefit Plan as an alternative to Social Security. The District pays the full cost of the plan and the benefits are designed to be paid out at age 65; however, benefits can be received upon termination or retirement. All benefits are 100% vested beginning on date of participation. All employees who are not participating in any other retirement plan are immediately eligible for participation. Employees who are members of, or retired from, the California Public Employees' Retirement System (CalPERS) or the California State Teachers Retirement System (CalSTRS) are generally not eligible for participation.

Funding Policy

Members do not contribute to the SISC Defined Benefit Plan. The District contributes 3.9% of the eligible member's annual payroll. The contribution is intended to provide an annual normal retirement benefit equal to 1.5% of the eligible member's final average pay for covered service up to 30 years.

The Southern Kern Unified School District's contribution to the SISC Defined Benefit Plan for the fiscal year ended June 30, 2014, was \$9,433 and equaled 100% of the required contribution.

17. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the California State Teachers' Retirement System (CalSTRS).

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 the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute to CalPERS 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 2013-14 was 11.442%. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$548,383, \$375,520 and \$340,078, respectively, and equal 100% of the required contributions for each year.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement Systems (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, within the California 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, 7667 Folsom Boulevard, Sacramento, California 95826.

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 2013-14 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 ending June 30, 2014, 2013 and 2012 were \$909,940, \$809,943 and \$813,876, respectively, and equal 100% of the required contributions for each year.

18. NEW ACCOUNTING PRONOUNCEMENTS

- A. In June 2012, the Governmental Accounting Standards Board (GASB) issued statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged. The District has not yet determined the effect on the financial statements.

- B. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

19. ADJUSTMENT FOR RESTATEMENT

The beginning fund balance of the General Fund was restated by \$1,456,538 to reflect the transfer of prior year expenditures to the Capital Facilities Fund. Consequently, the beginning fund balance of the Capital Facilities Fund was reduced by \$1,456,538.

The beginning fund balance of the General Fund was also increased by \$177,699 to reflect the write off of prior year excess costs determined to be overstated in prior year. The two adjustments in the General Fund result in a combined restatement of \$1,634,237 at July 1, 2013.

20. SUBSEQUENT EVENT

In September 2014, the District issued General Obligation Refunding Bonds, 2014 Series A in the aggregate principal amount of \$3,795,000. The bonds bear interest rates ranging from 2.00% to 5.00% and mature through 2029. The bonds were issued for the purpose of refunding certain of the District's General Obligation Bonds, Election of 2002, Series A and the District's General Obligation Bonds, Election of 2002, Series 2004.

Required Supplementary
Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive-(Negative)
<u>REVENUES</u>				
Local Control Funding Formula Sources				
State Apportionments	\$ 12,278,942	\$ 14,930,353	\$ 12,810,549	\$ (2,119,804)
Local Sources	3,857,899	4,873,533	6,758,030	1,884,497
LCFF Transfers	(16,085)	(16,085)	(8,664)	7,421
Total LCFF Sources	16,120,756	19,787,801	19,559,915	(227,886)
Federal Revenues	1,989,702	2,002,436	1,801,211	(201,225)
Other State Revenues	4,838,920	1,320,385	1,645,579	325,194
Other Local Revenues	507,601	1,809,227	1,722,121	(87,106)
Total Revenues	23,456,979	24,919,849	24,728,826	(191,023)
<u>EXPENDITURES</u>				
Certificated Salaries	10,520,947	11,308,947	11,384,920	(75,973)
Classified Salaries	3,779,378	4,279,378	4,951,929	(672,551)
Employee Benefits	5,096,752	5,158,752	6,323,043	(1,164,291)
Books and Supplies	1,464,434	1,889,229	1,880,904	8,325
Services and Other Operating Expenditures	2,290,703	2,090,703	2,957,723	(867,020)
Capital Outlay	80,640	80,640	50,520	30,120
Other Outgo	125,000	125,000	172,953	(47,953)
Total Expenditures	23,357,854	24,932,649	27,721,992	(2,789,343)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	99,125	(12,800)	(2,993,166)	(2,980,366)
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund Transfers Out (Note 4B)	-	(13,500)	(15,400)	(1,900)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)				
	\$ 99,125	\$ (26,300)	(3,008,566)	\$ (2,982,266)
<u>FUND BALANCE - JULY 1, 2013,</u> as Previously Reported				
			4,822,516	
Adjustment for Restatement (Note 19)				
			1,634,237	
<u>FUND BALANCE - JULY 1, 2013, as Restated</u>				
			6,456,753	
<u>FUND BALANCE - JUNE 30, 2014</u>				
			\$ 3,448,187	

The Notes to Financial Statements are an integral part of this statement

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
OTHER POSTEMPLOYMENT BENEFITS (OPEB) SCHEDULE OF FUNDING PROGRESS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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)
7/1/2009	\$ -	\$ 10,965,041	\$ 10,965,041	0%	\$ 13,115,025	83.61%
7/1/2011	-	11,759,422	11,759,422	0%	12,858,577	91.45%
7/1/2013	-	12,761,000	12,761,000	0%	12,970,620	98.38%

The Notes to Financial Statements are an integral part of this statement

Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUND
JUNE 30, 2014

STATEMENT 1

	<u>CAFETERIA FUND</u>
<u>ASSETS</u>	
Cash	
Cash in County Treasury	\$ 163,202
Cash in Revolving Fund	2,500
Accounts Receivable	<u>154,243</u>
TOTAL ASSETS	<u>\$ 319,945</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ 39,782
Due to Other Funds	<u>250,000</u>
Total Liabilities	<u>289,782</u>
Fund Balance	
Nonspendable	2,500
Restricted	<u>27,663</u>
Total Fund Balance	<u>30,163</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 319,945</u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 2

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>CAFETERIA FUND</u>
<u>REVENUES</u>	
Federal Revenues	\$ 1,225,201
Other State Revenues	87,457
Other Local Revenues	<u>80,239</u>
Total Revenues	<u>1,392,897</u>
<u>EXPENDITURES</u>	
Pupil Services:	
Food Services	1,731,296
Plant Services	<u>14,290</u>
Total Expenditures	<u>1,745,586</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(352,689)
<u>FUND BALANCE</u> - JULY 1, 2013	<u>382,852</u>
<u>FUND BALANCE</u> - JUNE 30, 2014	<u><u>\$ 30,163</u></u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2014

STATEMENT 3

	<u>BOND INTEREST AND REDEMPTION FUND</u>
<u>ASSETS</u>	
Cash	
Cash in County Treasury	\$ 1,567,927
TOTAL ASSETS	<u>\$ 1,567,927</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ -
Fund Balance	
Assigned	<u>1,567,927</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,567,927</u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 4

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BOND INTEREST AND REDEMPTION FUND
<u>REVENUES</u>	
Other State Revenues	\$ 17,187
Other Local Revenues	1,813,955
Total Revenues	<u>1,831,142</u>
<u>EXPENDITURES</u>	
Debt Service:	
Principal	435,000
Interest	661,545
Total Expenditures	<u>1,096,545</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	734,597
<u>OTHER FINANCING SOURCES (USES)</u>	
Proceeds from Sale of Bonds	<u>70,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	805,105
<u>FUND BALANCE - JULY 1, 2013</u>	<u>762,822</u>
<u>FUND BALANCE - JUNE 30, 2014</u>	<u>\$ 1,567,927</u>

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 5

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2014

	SPECIAL RESERVE FUND
<u>ASSETS</u>	
Cash	
Cash in County Treasury	\$ 1,103
Account Receivable	1
Due from Other Funds	770
TOTAL ASSETS	\$ 1,874
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ -
Fund Balance	
Assigned	1,874
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,874

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 6

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	SPECIAL RESERVE FUND
<u>REVENUES</u>	
Other Local Revenues	\$ (1)
<u>EXPENDITURES</u>	
Facilities Acquisition and Construction	4,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,621)
<u>OTHER FINANCING SOURCES (USES)</u>	
Interfund Transfers In	5,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	779
<u>FUND BALANCE</u> - JULY 1, 2013	1,095
<u>FUND BALANCE</u> - JUNE 30, 2014	\$ 1,874

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - STUDENT BODY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE JULY 1, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
<u>Rosamond High School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 50,269	\$ 175,429	\$ 161,695	\$ 64,003
TOTAL ASSETS	<u>\$ 50,269</u>	<u>\$ 175,429</u>	<u>\$ 161,695</u>	<u>\$ 64,003</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
Club Accounts	37,607	159,336	146,097	50,846
General ASB Accounts	12,662	16,093	15,598	13,157
Total Due to Student Groups	<u>50,269</u>	<u>175,429</u>	<u>161,695</u>	<u>64,003</u>
TOTAL LIABILITIES	<u>\$ 50,269</u>	<u>\$ 175,429</u>	<u>\$ 161,695</u>	<u>\$ 64,003</u>
<u>Tropico Middle School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 46,456	\$ 52,004	\$ 75,197	\$ 23,263
TOTAL ASSETS	<u>\$ 46,456</u>	<u>\$ 52,004</u>	<u>\$ 75,197</u>	<u>\$ 23,263</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
Club Accounts	-	-	-	-
General ASB Accounts	46,456	52,004	75,197	23,263
Total Due to Student Groups	<u>46,456</u>	<u>52,004</u>	<u>75,197</u>	<u>23,263</u>
TOTAL LIABILITIES	<u>\$ 46,456</u>	<u>\$ 52,004</u>	<u>\$ 75,197</u>	<u>\$ 23,263</u>
<u>Rosamond Elementary School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 12,039	\$ 2,702	\$ 5,038	\$ 9,703
TOTAL ASSETS	<u>\$ 12,039</u>	<u>\$ 2,702</u>	<u>\$ 5,038</u>	<u>\$ 9,703</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
Club Accounts	-	-	-	-
General ASB Accounts	12,039	2,702	5,038	9,703
Total Due to Student Groups	<u>12,039</u>	<u>2,702</u>	<u>5,038</u>	<u>9,703</u>
TOTAL LIABILITIES	<u>\$ 12,039</u>	<u>\$ 2,702</u>	<u>\$ 5,038</u>	<u>\$ 9,703</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - STUDENT BODY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE JULY 1, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
<u>Westpark Elementary School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 9,027	\$ 38,901	\$ 39,776	\$ 8,152
TOTAL ASSETS	<u>\$ 9,027</u>	<u>\$ 38,901</u>	<u>\$ 39,776</u>	<u>\$ 8,152</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
Club Accounts	-	-	-	-
General ASB Accounts	9,027	38,901	39,776	8,152
Total Due to Student Groups	<u>9,027</u>	<u>38,901</u>	<u>39,776</u>	<u>8,152</u>
TOTAL LIABILITIES	<u>\$ 9,027</u>	<u>\$ 38,901</u>	<u>\$ 39,776</u>	<u>\$ 8,152</u>
<u>Total</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 117,791	\$ 269,036	\$ 281,706	\$ 105,121
TOTAL ASSETS	<u>\$ 117,791</u>	<u>\$ 269,036</u>	<u>\$ 281,706</u>	<u>\$ 105,121</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
Club Accounts	37,607	159,336	146,097	50,846
General ASB Accounts	80,184	109,700	135,609	54,275
Total Due to Student Groups	<u>117,791</u>	<u>269,036</u>	<u>281,706</u>	<u>105,121</u>
TOTAL LIABILITIES	<u>\$ 117,791</u>	<u>\$ 269,036</u>	<u>\$ 281,706</u>	<u>\$ 105,121</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES AND ORGANIZATION
 JUNE 30, 2014

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Sandy Kirk	President	December 2014
Scott Starkey	Vice President	December 2016
Patrick Reader	Clerk	December 2016
J. Vincent Otis	Member	December 2014
Mario Gutierrez	Member	December 2014

ADMINISTRATION

Leanne Hargus	Associate Superintendent, Educational Services
Jeffery Weinstein	Chief Administration Officer
Peter VanBuskirk	Chief Business Officer

ORGANIZATION

The Southern Kern Unified School District was established in 1962. The District has not made any changes in District boundaries. During the 2013/2014 school year, the District operated two elementary schools, one middle school, one high school and two alternative education schools (continuation high school and independent study school).

SCHEDULE 2

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Second Period Report 39E886BC	Annual Report F8E98BBF
TK/K-3		
Regular	987.39	986.92
Extended Year Special Education	0.91	0.91
Subtotal TK/K-3	<u>988.30</u>	<u>987.83</u>
Grades 4-6		
Regular	629.41	628.42
Special Education - NPS	0.49	0.38
Extended Year Special Education - NPS	0.03	0.02
Subtotal Grades 4-6	<u>629.93</u>	<u>628.82</u>
Grades 7-8		
Regular	414.91	414.26
Extended Year Special Education	0.21	0.21
Special Education - NPS	0.13	0.11
Subtotal Grades 7-8	<u>415.25</u>	<u>414.58</u>
Grades 9-12		
Regular	852.42	848.21
Extended Year Special Education	0.21	0.21
Subtotal Grades 9-12	<u>852.63</u>	<u>848.42</u>
Grand Total	<u><u>2,886.11</u></u>	<u><u>2,879.65</u></u>

See accompanying Notes to Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

GRADE LEVEL	1986-87 MINUTES REQUIREMENT	RECALCULATED 1986-87 MINUTES REQUIREMENT*	2013-14 ACTUAL MINUTES	NUMBER OF DAYS TRADITIONAL CALENDAR	NUMBER OF DAYS MULTITRACK CALENDAR	STATUS
Kindergarten	36,000	35,000	54,590	180	N/A	In Compliance
Grades 1-3	50,400	49,000	52,620	180	N/A	In Compliance
Grades 4-5	54,000	52,500	52,620	180	N/A	In Compliance
Grades 6-8	54,000	52,500	55,200	180	N/A	In Compliance
Grades 9-12	64,800	63,000	63,540	180	N/A	In Compliance

* Amounts reduced as permitted by Education Code Section 46201.2(a).

Note: The District participated in Longer Day incentives and did not meet or exceed its target funding.

See accompanying Notes to Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>GENERAL FUND</u>	(BUDGET) 2015*	2014	2013***	2012
Revenues and Other Financial Sources	\$ 27,292,034	\$ 24,728,826	\$ 22,310,512	\$ 23,575,200
Expenditures	28,105,338	27,721,992	22,152,230	22,270,452
Other Uses and Transfers Out	204,610	15,400	102,000	194,344
Total Outgo	28,309,948	27,737,392	22,254,230	22,464,796
Change in Fund Balance	(1,017,914)	(3,008,566)	56,282	1,110,404
Ending Fund Balance	\$ 2,622,129	\$ 3,448,187	\$ 6,456,753	\$ 4,766,234
Available Reserves	\$ 1,634,784	\$ 2,439,807	\$ 5,607,065	\$ 4,291,214
Reserve for Economic Uncertainties	\$ -	\$ -	\$ -	\$ -
Unassigned Fund Balance	\$ 1,634,784	\$ 2,439,807	\$ 5,607,065	\$ 4,291,214
Available Reserves as a Percentage of Total Outgo	5.77%	8.80%	25.20%	19.10%
Total Long-Term Debt***	**	\$ 32,721,539	\$ 29,202,029	\$ 28,578,475
Average Daily Attendance at P-2	3,025	2,886	2,865	2,887

The General Fund balance has decreased by \$1,318,047 over the past two years. The fiscal year 2014-15 budget projects a decrease of \$1,017,914. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out. Southern Kern Unified School District has met the State's minimum requirements.

Average daily attendance has decreased by 1 ADA over the past two years. An increase of 139 ADA is anticipated during fiscal year 2014-15.

* Based on July 1 budget for General Fund only, included for analytical purposes only and has not been subjected to audit.

** Not determined.

*** Restated

See accompanying Notes to Supplementary Information

SCHEDULE 5

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>GENERAL FUND</u>			
U.S. Department of Education			
Passed through CDE			
NCLB Title I	84.010	14329	\$ 860,643
NCLB Title I, Program Improvement	84.010	14956	117,344
NCLB Title I, Migrant Ed Summer Program	84.011	10005	14,209
Title I, Part C, Migrant Ed	84.001	14838	81,097
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	19,499
Title I, Part G, Advanced Placement (AP) Test Fee			
Reimbursement Program	84.330B	14831	3,285
Title II , Part A, Improving Teacher Quality	84.367	14341	109,286
IDEA, Education for the Handicapped:			
Preschool Local Entitlement	84.027A	15002	13,694
Local Assistance	84.027	13379	445,090
Preschool Grant	84.173	13430	6,728
NCLB Title III, LEP	84.365	14346	28,556
Carl Perkins Vocation Education	84.048	14894	35,088
			<u>1,734,519</u>
Total Department of Education			
U.S. Department of Agriculture			
Passed through CDE:			
* National School Lunch	10.555	13391, 13396	790,120
* School Breakfast Program	10.553	13390, 13526	277,676
Meal Supplements	10.555	13391	35,870
Child and Adult Care Food	10.558	13529, 13534	121,535
			<u>1,225,201</u>
Total Department of Agriculture			
U.S. Department of Health and Human Services			
Passed through CDE:			
MediCal Billing Option	93.778	10013	19,238
			<u>19,238</u>
Total Federal Expenditures			<u>\$ 2,978,958</u>
<u>Reconciliation of Federal Awards</u>			
Total Federal Expenditures			\$ 2,978,958
MediCal Billing Option (unspent)	93.778	10013	47,454
			<u>47,454</u>
Total Federal Revenues			<u>\$ 3,026,412</u>
* Major Program			

See accompanying Notes to Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM
WITH AUDITED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	ADULT FUND	DEFERRED MAINTENANCE FUND	SPECIAL RESERVE FUND (OTHER)	BUILDING FUND	SPECIAL RESERVE FUND (CAPITAL)
June 30, 2014 Annual Financial and Budget Report Form Fund Balances	\$ 3,640,044	\$ 4,491	\$ 1,568	\$ 455	\$ 1,399,396	\$ 249,013
<u>Adjustments and Reclassifications</u>						
(Decrease) Cash for:						
Cash with Fiscal Agent	-	-	-	-	-	(247,139)
(Decrease) Due From Other Funds for:						
Transfer	(369,556)	-	-	-	-	-
Decrease Accounts Payable for:						
Prior Year Excess Costs	177,699	-	-	-	-	-
Decrease Due To Other Funds for:						
Transfer	-	-	-	-	369,556	-
Increase (Decrease) Fund Balance for:						
GASB 54 Reporting Requirement	6,514	(4,491)	(1,568)	(455)	-	-
Net Adjustments and Reclassifications	(185,343)	(4,491)	(1,568)	(455)	369,556	(247,139)
June 30, 2014 Audited Financial Statements Fund Balances	\$ 3,454,701	\$ -	\$ -	\$ -	\$ 1,768,952	\$ 1,874

See accompanying Notes to Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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 entities. This schedule provides information regarding the attendance of students at various grade spans and in different programs.

B. Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Financial Trends and Analysis

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

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Kern Unified School 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.

E. Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt as reported on the Annual Form to the audited financial statements.



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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

Independent Auditor's Report

To the Board of Trustees
Southern Kern Unified School District
Rosamond, 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 Southern Kern Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Southern Kern Unified School District's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management of Southern Kern Unified School District in a separate letter dated December 9, 2014.

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Jeanette L. Garcia + Associates". The signature is written in a cursive, flowing style.

Redlands, California
December 9, 2014



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

To the Board of Trustees
Southern Kern Unified School District
Rosamond, California

Report on Compliance for Each Major Federal Program

We have audited Southern Kern Unified School District's 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 Southern Kern Unified School District's major federal programs for the year ended June 30, 2014. Southern Kern Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Kern Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Southern Kern Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Southern Kern Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of Southern Kern Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Kern Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Southern Kern Unified 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.



Redlands, California
December 9, 2014



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Jeanette L. Garcia,
CPA

To the Board of Trustees
Southern Kern Unified School District
Rosamond, California

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for fiscal year ended June 30, 2014.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

		<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Member:	Attendance Accounting:		
	Attendance Reporting	6	Yes
American	Teacher Certification and Misassignments	3	Yes
Institute of	Kindergarten Continuance	3	Yes
Certified Public	Independent Study	23	Yes
Accountants	Continuation Education	10	Yes

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	Procedures in Audit Guide	Procedures Performed
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	No (see below)
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	No (see below)
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding		
Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for Charter Schools	8	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom Based Instruction, for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For Charter Schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not test Before School Education and Safety Program because the District did not operate a Before School Program. We did not test the Early Retirement Incentive Program because the District did not participate in the program.

Opinion on State Compliance

In our opinion, Southern Kern Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2014.

Jeanette L. Garcia + Associates

Redlands, California
December 9, 2014

Findings and Recommendations

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit finding disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

CFDA Number(s)

10.555, 10.553

Name of Federal Program of Cluster

National School Lunch Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

State Awards

Internal control over state programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	
Type of auditor's report issued on compliance for state programs:	Unmodified		

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

None Reported.

Section III – Federal Award Findings and Questioned Costs

None Reported.

Section IV – State Award Findings and Questioned Costs

None Reported.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prior Year Findings and Recommendations

FINDING 2013-1

Code 30000

Associated Student Body – Rosamond High School

Controls over the Rosamond High School ASB appear to be weak. We noted the following exceptions:

- Expenditures are not adequately supported by invoices and approval documentation. Eight of twenty expenditures tested were missing the “Expenditure Request Form” which serves as the approval document. Backup documentation could not be located for three of the twenty expenditures tested.
- Controls over tickets are poor. Ticket summaries are not always used for ticketed events and two ticket rolls appear to be missing.
- The minutes of the student council meetings are inadequate for a school of this level. Discussions are not documented and expenditure approvals are not included in the minutes. Attendance is not indicated in the minutes, motions are not listed, and the minutes are not signed by the ASB Secretary.

RECOMMENDATION

The District should continue to work with the ASBs and remind them of the importance of good internal controls. All expenditures must be supported by approval documents, invoices and receiving documentation. Pre-numbered tickets must be inventoried and controlled. Summaries should be prepared after each ticketed event to support the deposit to the bank. Student council minutes at the high school level should be well written and include all details of the meeting, including attendance, discussion of old and new business, motions and expenditure approvals and should be signed by the ASB Secretary.

Status: Implemented

FINDING 2013-2

Code 30000

Associated Student Body – Tropico Middle School

Controls over the Tropico Middle School ASB appear to be weak. We noted the following exceptions:

- We were unable to locate supporting documentation for bank deposits. As a result, we are unable to determine if monies received are deposited intact and timely.
- Two of nine expenditures tested were missing the Principal’s approval, and for three expenditures, we were unable to locate any approvals. The backup documentation for one expenditure could not be located.
- Due to vacancies at the school, the bookkeeping, including bank reconciliations, has not been kept current. It appears to have stopped in March 2013.

RECOMMENDATION

The District should continue to work with the ASBs and remind them of the importance of good internal controls. All monies received by the ASB should be receipted or logged and should be accompanied by a cash count form documenting the reason for the deposit. All deposits to the bank should be supported by the receipts that make the deposit. All expenditures must be supported by approval documents, invoices and receiving documentation. The accounts of the ASB must be maintained. Activities must be recorded and bank accounts must be reconciled in a timely manner.

Status: Partially Implemented. See Management Letter

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINDING 2013-03
Code 72000
School Accountability Report Card

Specific Requirements: Schools are required to have an annual facility inspection. Specifically, State law requires that the annual facility inspection be reflected on the SARC in accordance with Section 33126(b) of the Education Code. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized during these inspections to determine if a school facility is in a “good repair” and to rate the facility accordingly.

LEAs should ensure that information concerning school facility conditions and the “good repair” status of facilities should use the most recent available data collected by the LEA. The year and month in which the data were collected should also be identified.

Condition: An inspection was not performed for Rare Earth High School/Lincoln Alternative School. As a result, we were unable to verify the facilities information reported in the SARC.

Questioned Costs: Not Applicable.

Context: We tested two of the District’s five School Accountability Report Cards.

Effect: Auditor was unable to verify that the facilities information reported in the School Accountability Report Card was accurate.

Cause: Unknown.

Recommendation: District should utilize the Facility Inspection Tool (FIT) or instrument that meets the same legal requirements during site inspections. These written inspection reports should be kept to support the information reported in the School Accountability Report Card.

Status: Implemented

Jeanette L. Garcia,
CPA

Board of Trustees
Southern Kern Unified School District
Rosamond, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Kern Unified School District, for the year ended June 30, 2014, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent non-material conditions noted by the audit that we consider important enough to bring to your attention. We previously reported on the District's internal control over financial reporting in our report dated December 9, 2014. The Findings and Recommendations Section of the audit report dated December 9, 2014, contains certain reportable conditions in the District's internal control over financial reporting. This letter does not affect our report dated December 9, 2014, on the financial statements of Southern Kern Unified School District.

District Cash

Deposits are not timely. We noted delays of up to 39 days between the date of the receipt and the deposit to the bank. Deposits should be more timely, no less than weekly.

Revolving Cash

A complete reconciliation of the revolving fund to its imprest account is only done in June. To strengthen internal control over cash, the revolving fund should be reconciled on a monthly basis.

Westpark Elementary School ASB – 30000

The bookkeeper is a signer on the ASB checking account. Segregation of duties is difficult with student accounts. To provide more separation of duties, the bookkeeper should not be a signer on the bank account.

Tropico Middle School ASB – 30000

1. Receipts do not appear to be deposited timely. We noted delays of up to two weeks between the date of the receipt and the date of the deposit. Deposits should be made weekly and no money should be left on site over weekends and holidays.
2. Revenue potentials are not prepared properly. Units for sale are not accounted for and potential revenue is not compared to actual collections. To properly account for sales, revenue potentials should be prepared and should be complete.

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We will review the status of these recommendations during our next audit engagement. We have discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the management, Board of Trustees, others within the District, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jeanette L. Garcin + Associates

Redlands, California
December 9, 2014