

SOUTHERN KERN UNIFIED SCHOOL DISTRICT

KERN COUNTY  
ROSAMOND, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2021

**JLG**  
Jeanette L. Garcia & Associates  
CERTIFIED PUBLIC ACCOUNTANT

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## Financial Section



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Jeanette L. Garcia,  
CPA

### INDEPENDENT AUDITOR'S REPORT

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, 2021, and the related notes to the financial statements, which collectively comprise the Southern Kern Unified School 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, 2021, 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 4 through 10, General Fund Budgetary Comparison Schedule on page 46, Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 47 and Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions on pages 48 through 51 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.

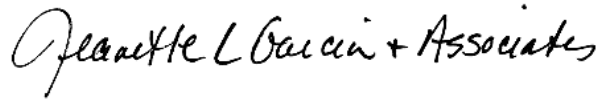
### *Other Information*

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 schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 2020-21 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 January 28, 2022, 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 solely 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 the effectiveness of the Southern Kern Unified School District's 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.

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

San Bernardino, California  
January 28, 2022

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
June 30, 2021

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**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, 2021. 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, County School Facilities Fund and the Bond Interest and Redemption 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 \$(24,203,266), the result of assets and deferred outflows of resources of \$99,950,197, less liabilities and deferred inflows of resources of \$124,153,463.
- The District implemented GASB Statement No. 68, which requires the District to report its proportionate share of the Net Pension Liabilities of CalPERS and CalSTRS. At June 30, 2021, the District's proportionate share of the Net Pension Liabilities was \$41,057,966.
- The District implemented GASB Statement No. 75, which requires the District to report the total OPEB Liability as determined by an actuarial study. At June 30, 2021, the Total OPEB Liability was \$16,261,961.
- General revenues accounted for \$41,852,041 in revenue or 69% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$18,967,234 or 31% of total revenues of \$60,819,275.
- The District had \$46,575,862 in expenses related to governmental activities; only \$18,967,234 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state LCFF sources and property taxes) of \$41,852,041 provided a change in Net Position of \$14,243,413.
- The General Fund reported a positive fund balance of \$7,565,460.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
June 30, 2021

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**REPORTING THE DISTRICT AS A WHOLE**

▪ 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, 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

All 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, 2021

▪ 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 2020-21 and 2019-20.

Table 1 - Net Position

|                                  | Governmental Activities |                 | %<br>Change |
|----------------------------------|-------------------------|-----------------|-------------|
|                                  | 2021                    | 2020*           |             |
| Current and Other Assets         | \$ 23,645,207           | \$ 10,804,023   | 118.9       |
| Capital Assets                   | 66,045,721              | 66,099,901      | (0.1)       |
| Total Assets                     | 89,690,928              | 76,903,924      | 16.6        |
| Deferred Outflows of Resources   | 10,259,269              | 11,614,729      | (11.7)      |
| Current Liabilities              | 6,631,417               | 6,174,466       | 7.4         |
| Long-Term Debt                   | 112,650,293             | 114,491,328     | (1.6)       |
| Total Liabilities                | 119,281,710             | 120,665,794     | (1.1)       |
| Deferred Inflows of Resources    | 4,871,753               | 6,299,538       | (22.7)      |
| Net Position                     |                         |                 |             |
| Net Investment in Capital Assets | 11,277,345              | 9,511,696       | 18.6        |
| Restricted                       | 11,653,814              | 5,093,514       | 128.8       |
| Unrestricted                     | (47,134,425)            | (53,051,889)    | 11.2        |
| Total Net Position               | \$ (24,203,266)         | \$ (38,446,679) | 37.0        |

\*Restated

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
June 30, 2021

Table 2 shows the change in net position for fiscal years 2020-21 and 2019-20.

Table 2 - Change in Net Position

|                                        | <u>Governmental Activities</u> |                     | <u>%<br/>Change</u> |
|----------------------------------------|--------------------------------|---------------------|---------------------|
|                                        | <u>2021</u>                    | <u>2020</u>         |                     |
| Revenues                               |                                |                     |                     |
| <i>Program Revenues:</i>               |                                |                     |                     |
| Charges for Services                   | \$ 1,480,783                   | \$ 591,363          | 150.4               |
| Operating Grants and Contributions     | 13,212,485                     | 9,484,662           | 39.3                |
| Capital Grants and Contributions       | 4,273,966                      | 689,246             | (100.0)             |
| <i>General Revenues:</i>               |                                |                     |                     |
| Unrestricted State and Federal Sources | 30,813,609                     | 30,044,515          | 2.6                 |
| Property Taxes                         | 9,832,508                      | 10,566,233          | (6.9)               |
| Other General Revenue                  | 1,205,924                      | 308,549             | 290.8               |
| Total Revenues                         | <u>60,819,275</u>              | <u>51,684,568</u>   | 17.7                |
| Expenses                               |                                |                     |                     |
| Instruction-Related                    | 32,248,277                     | 30,345,867          | 6.3                 |
| Pupil Services                         | 5,335,956                      | 5,795,239           | (7.9)               |
| Administration                         | 2,276,286                      | 2,837,046           | (19.8)              |
| Maintenance and Operations             | 4,762,426                      | 5,351,983           | (11.0)              |
| Other                                  | 1,952,917                      | 2,066,568           | (5.5)               |
| Total Expenses                         | <u>46,575,862</u>              | <u>46,396,703</u>   | 0.4                 |
| Change in Net Position                 | <u>\$ 14,243,413</u>           | <u>\$ 5,287,865</u> | (169.4)             |

▪ GOVERNMENTAL ACTIVITIES

Charges for services, operating grants and contributions made up 31% of revenues for governmental activities. General revenues not restricted to specific programs made up 69% of the total revenues available.

Instruction-related activities made up 69% of expenses. Pupil services including home-to-school transportation and food services made up 12%. Administration including data processing made up 5%. Maintenance and operations including facility acquisition and construction made up 10%. Other miscellaneous made up the remaining 4%.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
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“Statement of Activities” (Exhibit B) shows the costs 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 2020-21 and 2019-20. 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           |            |                      |            |
|----------------------------|----------------------|------------|----------------------|------------|
|                            | 2021                 | %          | 2020                 | %          |
| Instruction                | \$ 32,248,277        | 69         | \$ 30,345,867        | 65         |
| Pupil Services             | 5,335,956            | 12         | 5,795,239            | 13         |
| Administration             | 2,276,286            | 5          | 2,837,046            | 6          |
| Maintenance and Operations | 4,762,426            | 10         | 5,351,983            | 12         |
| Other                      | 1,952,917            | 4          | 2,066,568            | 4          |
| Total                      | <u>\$ 46,575,862</u> | <u>100</u> | <u>\$ 46,396,703</u> | <u>100</u> |

|                            | Net Cost             |            |                      |            |
|----------------------------|----------------------|------------|----------------------|------------|
|                            | 2021                 | %          | 2020                 | %          |
| Instruction                | \$ 17,192,311        | 62         | \$ 23,517,714        | 66         |
| Pupil Services             | 2,634,709            | 10         | 2,501,653            | 7          |
| Administration             | 1,999,790            | 7          | 2,659,310            | 7          |
| Maintenance and Operations | 4,116,268            | 15         | 5,302,017            | 15         |
| Other                      | 1,665,550            | 6          | 1,650,738            | 5          |
| Total                      | <u>\$ 27,608,628</u> | <u>100</u> | <u>\$ 35,631,432</u> | <u>100</u> |

**GENERAL FUND BUDGET INFORMATION**

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 \$49,402,801 with original budget estimated at \$39,715,385. The difference of \$9,687,416 was the result of a District practice to budget grant funds cautiously so as to minimize the risk of overspending should the grant award fall short of projected award. Additionally, between distance and hybrid models of student teaching, expected expenditures in salaries, supplies and other operating expenses were lower than expected for the 2020-21 school year.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
June 30, 2021

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.

▪ CAPITAL ASSETS AND DEBT ADMINISTRATION

• CAPITAL ASSETS

At the end of the fiscal year 2020-21, the District had \$66,045,721, invested in land, buildings and improvements, furniture and equipment and work in progress. Table 4 shows fiscal years 2020-21 and 2019-20.

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

|                            | Governmental Activities |                      |
|----------------------------|-------------------------|----------------------|
|                            | 2021                    | 2020                 |
| Land                       | \$ 890,449              | \$ 890,449           |
| Buildings and Improvements | 62,871,221              | 64,595,072           |
| Furniture and Equipment    | 1,316,111               | 482,059              |
| Work in Progress           | 967,940                 | 132,321              |
| Total                      | <u>\$ 66,045,721</u>    | <u>\$ 66,099,901</u> |

• DEBT

At June 30, 2021, the Southern Kern Unified School District had \$112,650,293 in debt outstanding. Table 5 summarizes these debts.

Table 5 - Outstanding Debt at Year-End

|                          | Governmental Activities |                       |
|--------------------------|-------------------------|-----------------------|
|                          | 2021                    | 2020                  |
| General Obligation Bonds | \$ 53,671,134           | \$ 55,274,446         |
| Bond Premium             | 829,760                 | 862,951               |
| Capital Lease            | 267,482                 | 450,808               |
| Total OPEB Liability     | 16,261,961              | 15,664,504            |
| Compensated Absences     | 441,195                 | 445,825               |
| Net Pension Liability    | 41,057,966              | 41,290,754            |
| Other Long-Term Debt     | 120,795                 | 241,590               |
| Total                    | <u>\$ 112,650,293</u>   | <u>\$ 114,230,878</u> |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended  
June 30, 2021

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**FOR THE FUTURE**

The District's paramount objective remains providing the highest quality education to every student in our schools. To that end, the District recognizes fiscal stability is the foundation. The District has repaid all debts to Kern County Superintendent of Schools and ended the year with a reserve in excess of 3%. Going forward, the District is planning on utilizing categorical funds and other Federal Funds to the best of its abilities to further increase the District's reserves.

While District enrollment has recovered to pre-pandemic levels faster than anticipated, ADA is lagging behind. Continued focus and effort will be on increasing ADA to pre-pandemic levels and higher. Multi-year projections will include modest increases in ADA until more information is available and will adjust accordingly with subsequent changes in data that impact ADA.

▪ CONTACTING THE 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 Robert Irving, Chief Business Officer, Southern Kern Unified School District, (661) 256-5000 Ext. 1125.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
 JUNE 30, 2021

|                                                      | GOVERNMENTAL<br>ACTIVITIES |
|------------------------------------------------------|----------------------------|
| <u>ASSETS</u>                                        |                            |
| Cash (Note 2)                                        | \$ 17,315,324              |
| Accounts Receivable (Note 3)                         | 6,329,883                  |
| Total Current Assets                                 | <u>23,645,207</u>          |
| Capital Assets: (Note 4)                             |                            |
| Land                                                 | 890,449                    |
| Site Improvements                                    | 4,024,512                  |
| Buildings                                            | 76,403,998                 |
| Furniture and Equipment                              | 3,108,558                  |
| Work In Progress                                     | 967,940                    |
| Less Accumulated Depreciation                        | <u>(19,349,736)</u>        |
| Total Capital Assets                                 | <u>66,045,721</u>          |
| TOTAL ASSETS                                         | <u>89,690,928</u>          |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> (Notes 9 & 11) | <u>10,259,269</u>          |
| <u>LIABILITIES</u>                                   |                            |
| Accounts Payable and Other Current Liabilities       | 4,765,612                  |
| Unearned Revenue                                     | 1,865,805                  |
| Total Current Liabilities                            | <u>6,631,417</u>           |
| Long-Term Liabilities: (Note 6)                      |                            |
| Portion Due or Payable Within One Year               | 2,370,491                  |
| Portion Due or Payable After One Year                | 110,279,802                |
| Total Long-Term Liabilities                          | <u>112,650,293</u>         |
| TOTAL LIABILITIES                                    | <u>119,281,710</u>         |
| <u>DEFERRED INFLOWS OF RESOURCES</u> (Notes 9 & 11)  | <u>4,871,753</u>           |
| <u>NET POSITION</u>                                  |                            |
| Net Investment in Capital Assets                     | 11,277,345                 |
| Restricted for:                                      |                            |
| Capital Projects                                     | 5,736,849                  |
| Debt Services                                        | 2,796,929                  |
| Educational Programs                                 | 1,867,567                  |
| Other Purposes (Expendable)                          | 1,236,969                  |
| Other Purposes (Nonexpendable)                       | 15,500                     |
| Unrestricted                                         | <u>(47,134,425)</u>        |
| TOTAL NET POSITION                                   | <u>\$ (24,203,266)</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, 2021

| Activities                                                | Expenses      | Program Revenues        |                                          |                                        | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |
|-----------------------------------------------------------|---------------|-------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------------|
|                                                           |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                                                              |
| Governmental:                                             |               |                         |                                          |                                        |                                                              |
| Instruction                                               | \$ 27,187,072 | \$ 1,085,965            | \$ 9,286,870                             | \$ 4,273,966                           | \$ (12,540,271)                                              |
| Instruction-Related Services:                             |               |                         |                                          |                                        |                                                              |
| Supervision of Instruction                                | 168,138       | -                       | 11,483                                   | -                                      | (156,655)                                                    |
| Instructional Library, Media and Technology               | 740,364       | -                       | 117,969                                  | -                                      | (622,395)                                                    |
| School Site Administration                                | 4,152,703     | 1,560                   | 278,153                                  | -                                      | (3,872,990)                                                  |
| Pupil Services:                                           |               |                         |                                          |                                        |                                                              |
| Home-to-School Transportation                             | 1,353,066     | 905                     | 116,185                                  | -                                      | (1,235,976)                                                  |
| Food Services                                             | 1,895,632     | 12,606                  | 1,963,253                                | -                                      | 80,227                                                       |
| All Other Pupil Services                                  | 2,087,258     | 5,043                   | 603,255                                  | -                                      | (1,478,960)                                                  |
| General Administration:                                   |               |                         |                                          |                                        |                                                              |
| All Other General Administration                          | 2,276,286     | 188,297                 | 88,199                                   | -                                      | (1,999,790)                                                  |
| Plant Services                                            | 4,762,426     | 186,407                 | 459,751                                  | -                                      | (4,116,268)                                                  |
| Ancillary Services                                        | 380,219       | -                       | 287,367                                  | -                                      | (92,852)                                                     |
| Interest on Long-Term Debt                                | 1,569,659     | -                       | -                                        | -                                      | (1,569,659)                                                  |
| Other Outgo                                               | 3,039         | -                       | -                                        | -                                      | (3,039)                                                      |
| Total Governmental Activities                             | \$ 46,575,862 | \$ 1,480,783            | \$ 13,212,485                            | \$ 4,273,966                           | (27,608,628)                                                 |
| General Revenues:                                         |               |                         |                                          |                                        |                                                              |
| Taxes:                                                    |               |                         |                                          |                                        |                                                              |
| Property Taxes, levied for general purposes               |               |                         |                                          |                                        | 6,471,893                                                    |
| Property Taxes, levied for debt service                   |               |                         |                                          |                                        | 3,356,369                                                    |
| Property Taxes, levied for other specific purposes        |               |                         |                                          |                                        | 4,246                                                        |
| Federal and State Aid not restricted to specific purposes |               |                         |                                          |                                        | 30,813,609                                                   |
| Interest and Investment Earnings                          |               |                         |                                          |                                        | 137,049                                                      |
| Miscellaneous                                             |               |                         |                                          |                                        | 1,068,875                                                    |
| Total General Revenues                                    |               |                         |                                          |                                        | 41,852,041                                                   |
| Change in Net Position                                    |               |                         |                                          |                                        | 14,243,413                                                   |
| Net Position - July 1, 2020, as Previously Reported       |               |                         |                                          |                                        | (38,410,262)                                                 |
| Adjustment for Restatement (Note 16)                      |               |                         |                                          |                                        | (36,417)                                                     |
| Net Position - July 1, 2020, as Restated                  |               |                         |                                          |                                        | (38,446,679)                                                 |
| Net Position - June 30, 2021                              |               |                         |                                          |                                        | \$ (24,203,266)                                              |

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

|                                        | GENERAL<br>FUND      | COUNTY SCHOOL<br>FACILITIES<br>FUND | BOND<br>INTEREST AND<br>REDEMPTION<br>FUND | ALL OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------------|----------------------|-------------------------------------|--------------------------------------------|------------------------------------|--------------------------------|
| <u>ASSETS</u>                          |                      |                                     |                                            |                                    |                                |
| Cash (Note 2)                          |                      |                                     |                                            |                                    |                                |
| Cash in County Treasury                | \$ 8,087,443         | \$ 4,329,233                        | \$ 2,796,929                               | \$ 1,870,530                       | \$ 17,084,135                  |
| Cash on Hand and in Banks              | -                    | -                                   | -                                          | 215,689                            | 215,689                        |
| Cash in Revolving Fund                 | 15,500               | -                                   | -                                          | -                                  | 15,500                         |
| Accounts Receivable (Note 3)           | 1,133,719            | 4,098                               | -                                          | 764,447                            | 1,902,264                      |
| Due from Grantor Government            | 4,427,619            | -                                   | -                                          | -                                  | 4,427,619                      |
|                                        |                      |                                     |                                            |                                    |                                |
| TOTAL ASSETS                           | <u>\$ 13,664,281</u> | <u>\$ 4,333,331</u>                 | <u>\$ 2,796,929</u>                        | <u>\$ 2,850,666</u>                | <u>\$ 23,645,207</u>           |
| <u>LIABILITIES AND FUND BALANCES</u>   |                      |                                     |                                            |                                    |                                |
| Liabilities                            |                      |                                     |                                            |                                    |                                |
| Accounts Payable                       | \$ 2,267,058         | \$ 115,855                          | \$ -                                       | \$ 89,082                          | \$ 2,471,995                   |
| Due to Grantor Governments             | 1,971,200            | -                                   | -                                          | -                                  | 1,971,200                      |
| Unearned Revenue                       | 1,860,563            | -                                   | -                                          | 5,242                              | 1,865,805                      |
|                                        |                      |                                     |                                            |                                    |                                |
| Total Liabilities                      | <u>6,098,821</u>     | <u>115,855</u>                      | <u>-</u>                                   | <u>94,324</u>                      | <u>6,309,000</u>               |
|                                        |                      |                                     |                                            |                                    |                                |
| Fund Balances                          |                      |                                     |                                            |                                    |                                |
| Nonspendable for Revolving Cash        | 15,500               | -                                   | -                                          | -                                  | 15,500                         |
| Restricted                             | 1,867,567            | 631,464                             | -                                          | 2,646,027                          | 5,145,058                      |
| Assigned                               | 2,208                | 3,586,012                           | -                                          | 110,315                            | 3,698,535                      |
| Unassigned                             | 5,680,185            | -                                   | 2,796,929                                  | -                                  | 8,477,114                      |
|                                        |                      |                                     |                                            |                                    |                                |
| Total Fund Balances                    | <u>7,565,460</u>     | <u>4,217,476</u>                    | <u>2,796,929</u>                           | <u>2,756,342</u>                   | <u>17,336,207</u>              |
|                                        |                      |                                     |                                            |                                    |                                |
| TOTAL LIABILITIES AND<br>FUND BALANCES | <u>\$ 13,664,281</u> | <u>\$ 4,333,331</u>                 | <u>\$ 2,796,929</u>                        | <u>\$ 2,850,666</u>                | <u>\$ 23,645,207</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, 2021

|                                          |               |
|------------------------------------------|---------------|
| Total Fund Balances - Governmental Funds | \$ 17,336,207 |
|------------------------------------------|---------------|

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 \$85,395,457 and the accumulated depreciation is \$19,349,736 . | 66,045,721 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

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 | \$ 54,500,894 |               |
| Total OPEB Liability     | 16,261,961    |               |
| Capital Lease            | 267,482       |               |
| Compensated Absences     | 441,195       |               |
| Net Pension Liability    | 41,057,966    |               |
| Other Long-Term Debt     | 120,795       | (112,650,293) |

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

|                                                    |           |
|----------------------------------------------------|-----------|
| Deferred outflows of resources related to pensions | 9,619,615 |
| Deferred inflows of resources related to pensions  | (726,978) |

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

|                                                |             |
|------------------------------------------------|-------------|
| Deferred outflows of resources related to OPEB | 639,654     |
| Deferred inflows of resources related to OPEB  | (4,144,775) |

|                                                                                                                                                 |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| In the governmental funds, interest expense is recorded when paid. In the government-wide statements, interest is recorded when it is incurred. | (322,417) |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                              |                |
|----------------------------------------------|----------------|
| Total Net Position - Governmental Activities | \$(24,203,266) |
|----------------------------------------------|----------------|

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                | GENERAL<br>FUND | COUNTY<br>SCHOOL<br>FACILITIES<br>FUND | BOND<br>INTEREST AND<br>REDEMPTION<br>FUND | ALL<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------------------------------------|-----------------|----------------------------------------|--------------------------------------------|------------------------------|--------------------------------|
| <u>REVENUES</u>                                                |                 |                                        |                                            |                              |                                |
| Local Control Funding Formula Sources:                         |                 |                                        |                                            |                              |                                |
| State Apportionments                                           | \$ 18,640,327   | \$ -                                   | \$ -                                       | \$ -                         | \$ 18,640,327                  |
| Education Protection Account Funds                             | 11,313,752      | -                                      | -                                          | -                            | 11,313,752                     |
| Local Sources                                                  | 6,471,894       | -                                      | -                                          | -                            | 6,471,894                      |
| LCFF Transfers                                                 | 47              | -                                      | -                                          | -                            | 47                             |
| Total LCFF Sources                                             | 36,426,020      | -                                      | -                                          | -                            | 36,426,020                     |
| Federal Revenues                                               | 4,837,644       | -                                      | -                                          | 1,989,075                    | 6,826,719                      |
| Other State Revenues                                           | 5,042,325       | 4,273,966                              | 15,839                                     | 110,905                      | 9,443,035                      |
| Other Local Revenues                                           | 3,096,836       | 78,186                                 | 3,381,409                                  | 1,533,878                    | 8,090,309                      |
| Total Revenues                                                 | 49,402,825      | 4,352,152                              | 3,397,248                                  | 3,633,858                    | 60,786,083                     |
| <u>EXPENDITURES</u>                                            |                 |                                        |                                            |                              |                                |
| Instruction                                                    | 26,253,613      | -                                      | -                                          | -                            | 26,253,613                     |
| Instruction-Related Services:                                  |                 |                                        |                                            |                              |                                |
| Supervision of Instruction                                     | 161,175         | -                                      | -                                          | -                            | 161,175                        |
| Instructional Library, Media and Technology                    | 707,423         | -                                      | -                                          | -                            | 707,423                        |
| School Site Administration                                     | 3,738,295       | -                                      | -                                          | -                            | 3,738,295                      |
| Pupil Services:                                                |                 |                                        |                                            |                              |                                |
| Home-to-School Transportation                                  | 2,137,680       | -                                      | -                                          | -                            | 2,137,680                      |
| Food Services                                                  | 18,441          | -                                      | -                                          | 1,817,419                    | 1,835,860                      |
| All Other Pupil Services                                       | 1,997,891       | -                                      | -                                          | -                            | 1,997,891                      |
| General Administration:                                        |                 |                                        |                                            |                              |                                |
| All Other General Administration                               | 2,140,557       | -                                      | -                                          | 27,716                       | 2,168,273                      |
| Plant Services                                                 | 4,380,025       | -                                      | -                                          | 33,696                       | 4,413,721                      |
| Facilities Acquisition and Construction                        | 151,906         | 696,688                                | -                                          | 148,579                      | 997,173                        |
| Ancillary Services                                             | 295,910         | -                                      | -                                          | 75,051                       | 370,961                        |
| Other Outgo                                                    | 3,039           | -                                      | -                                          | -                            | 3,039                          |
| Debt Service:                                                  |                 |                                        |                                            |                              |                                |
| Principal                                                      | 104,680         | -                                      | 1,863,761                                  | 78,646                       | 2,047,087                      |
| Interest                                                       | 47,332          | -                                      | 1,539,803                                  | -                            | 1,587,135                      |
| Total Expenditures                                             | 42,137,967      | 696,688                                | 3,403,564                                  | 2,181,107                    | 48,419,326                     |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES           | 7,264,858       | 3,655,464                              | (6,316)                                    | 1,452,751                    | 12,366,757                     |
| <u>FUND BALANCES</u> - JULY 1, 2020,<br>as Previously Reported | 300,602         | 562,012                                | 2,803,245                                  | 1,079,558                    | 4,745,417                      |
| Adjustment for Restatement (Note 16)                           | -               | -                                      | -                                          | 224,033                      | 224,033                        |
| <u>FUND BALANCES</u> - JULY 1, 2020, as Restated               | 300,602         | 562,012                                | 2,803,245                                  | 1,303,591                    | 4,969,450                      |
| <u>FUND BALANCES</u> - JUNE 30, 2021                           | \$ 7,565,460    | \$ 4,217,476                           | \$ 2,796,929                               | \$ 2,756,342                 | \$ 17,336,207                  |

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, 2021

|                                                        |    |            |
|--------------------------------------------------------|----|------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 12,366,757 |
|--------------------------------------------------------|----|------------|

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. The difference between capital outlay expenditures and depreciation expense for the period is:

|                                 |    |                    |          |
|---------------------------------|----|--------------------|----------|
| Expenditures for capital outlay | \$ | 1,863,901          |          |
| Depreciation Expense            |    | <u>(1,918,081)</u> | (54,180) |

|                                                                                                                                                                                     |  |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Repayment of bond principal and other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. |  | 2,201,073 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                             |  |       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|
| In governmental funds, compensated absences are measured by the amounts paid during the period. In the government-wide statements, they are measured by the amounts earned. |  | 4,630 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|

|                                                                                                                                                                            |  |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|
| In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. |  | (33,804) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|

|                                                                                                                                                                                                                                                            |  |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: |  | (258,540) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                           |  |        |
|-------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| In governmental funds, interest is recorded when it is paid. In the government-wide statements, interest is recorded when it is incurred. |  | 17,476 |
|-------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|          |  |          |
|----------|--|----------|
| Rounding |  | <u>1</u> |
|----------|--|----------|

|                                                   |    |                   |
|---------------------------------------------------|----|-------------------|
| Change in Net Position of Governmental Activities | \$ | <u>14,243,413</u> |
|---------------------------------------------------|----|-------------------|

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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.

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

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.

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 five nonmajor special revenue funds.

- Student Activity Special Revenue Fund is used to account for governmental associated student body activities in accordance with GASB 84.
- Adult Fund is used to account for resources dedicated to adult education programs maintained by the District.
- 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, 2021

- 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.

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

- Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- Capital Facilities Fund is used to account for resources received from developer fees.
- Special Reserve Fund is used to account for revenues received and expenditures made in connection with the maintenance of District property.

Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities report information on all of the nonfiduciary activities of the district 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 presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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.

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 one year after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are received. 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 costs, such as depreciation and amortization, are not recognized in the governmental funds.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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 Board of Trustees 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, 2021.

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.

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:

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| <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.

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.

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

Fund Balance Designations

In the governmental funds Balance Sheet, fund balance amounts are 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.

Deferred Outflows and Deferred Inflows of Resources

Included in the Statement of Net Position are separate sections for deferred outflows and deferred inflows of resources.

Deferred outflow of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflow of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows and deferred inflows of resources have been reported as a result of recording the net pension liabilities and pension expense.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple-Employer Defined Pension Pension Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan’s fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2019                 |
| Measurement Date   | June 30, 2020                 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

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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 was realized in fiscal year 2018-19.

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.

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) statements are effective for FY 2020-21 financial statement audits:

- GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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- GASB Statement No. 92, *Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, *Omnibus 2020* has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that “amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the term’s derivative and derivatives in existing standards to derivative instrument and derivative instruments, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – and Amendment to GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, respectively. The requirements in paragraphs 6-9 of this Statement are effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Future Accounting Pronouncements

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

- The effective date for the following pronouncements are postponed by one year:
  - Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
  - Statement No. 91, *Conduit Debt Obligations*
  - Statement No. 92, *Omnibus 2020*
  - Statement No. 93, *Replacement of Interbank Offered Rates*
- The effective dates for the following pronouncements are postponed by 18 months:
  - Statement No. 87, *Leases*

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2. CASH AND DEPOSITS

Cash at June 30, 2021, consisted of the following:

|                           | <u>Governmental<br/>Funds</u> |
|---------------------------|-------------------------------|
| Pooled Funds:             |                               |
| Cash in County Treasury   | \$ 17,084,135                 |
| Deposits:                 |                               |
| Cash on Hand and in Banks | 215,689                       |
| Cash in Revolving Fund    | <u>15,500</u>                 |
| Total                     | <u>\$ 17,315,324</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 (\$4,409,136,719 as of June 30, 2021). 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.

The fair market value of this pool as of June 30, 2021, as provided by the pool sponsor, was \$4,445,277,175. 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 \$17,224,169 and an amortized book value of \$17,084,135. The average weighted maturity for this pool is 637 days.

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.

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 deposit 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.

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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.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021, consisted of the following:

|                                   | GENERAL<br>FUND    | COUNTY<br>SCHOOL<br>FACILITIES<br>FUND | ALL OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL               |
|-----------------------------------|--------------------|----------------------------------------|------------------------------------|---------------------|
| Accounts Receivable               |                    |                                        |                                    |                     |
| Federal Sources                   |                    |                                        |                                    |                     |
| Categorical Aid Programs          | \$ 223,854         | \$ -                                   | \$ -                               | \$ 223,854          |
| Child Nutrition Program           | -                  | -                                      | 286,889                            | 286,889             |
| Total Federal                     | 223,854            | -                                      | 286,889                            | 510,743             |
| State Sources                     |                    |                                        |                                    |                     |
| Categorical Aid Programs          | 153,045            | -                                      | -                                  | 153,045             |
| Child Nutrition Program           | -                  | -                                      | 24,990                             | 24,990              |
| Total State                       | 153,045            | -                                      | 24,990                             | 178,035             |
| Local Sources                     |                    |                                        |                                    |                     |
| Local Government                  | 712,481            | -                                      | 445,746                            | 1,158,227           |
| Interest                          | 5                  | 4,098                                  | 4,513                              | 8,616               |
| Other                             | 44,334             | -                                      | 2,309                              | 46,643              |
| Total Local                       | 756,820            | 4,098                                  | 452,568                            | 1,213,486           |
| Total Accounts Receivable         | 1,133,719          | 4,098                                  | 764,447                            | 1,902,264           |
| Due from Grantor Government       |                    |                                        |                                    |                     |
| Federal Sources                   |                    |                                        |                                    |                     |
| Categorical Aid Programs          | 104,825            | -                                      | -                                  | 104,825             |
| State Sources                     |                    |                                        |                                    |                     |
| LCFF                              | 4,322,794          | -                                      | -                                  | 4,322,794           |
| Total Due from Grantor Government | 4,427,619          | -                                      | -                                  | 4,427,619           |
| Total Receivables                 | <u>\$5,561,338</u> | <u>\$ 4,098</u>                        | <u>\$ 764,447</u>                  | <u>\$ 6,329,883</u> |

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4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, is shown below:

| PRIMARY GOVERNMENT                             |                          |                    |                             |                          |
|------------------------------------------------|--------------------------|--------------------|-----------------------------|--------------------------|
|                                                | Balance<br>June 30, 2020 | Additions          | Adjustments/<br>Retirements | Balance<br>June 30, 2021 |
| Land                                           | \$ 890,449               | \$ -               | \$ -                        | \$ 890,449               |
| Site Improvements                              | 4,012,483                | 12,029             | -                           | 4,024,512                |
| Buildings                                      | 76,403,998               | -                  | -                           | 76,403,998               |
| Furniture and Equipment                        | 2,697,305                | 1,016,253          | 605,000                     | 3,108,558                |
| Work In Progress                               | 132,321                  | 835,619            | -                           | 967,940                  |
| Total at Historical Cost                       | 84,136,556               | 1,863,901          | 605,000                     | 85,395,457               |
| Less Accumulated Depreciation for:             |                          |                    |                             |                          |
| Site Improvements                              | 1,771,693                | 177,389            | -                           | 1,949,082                |
| Buildings                                      | 14,049,716               | 1,558,491          | -                           | 15,608,207               |
| Furniture and Equipment                        | 2,215,246                | 182,201            | 605,000                     | 1,792,447                |
| Total Accumulated Depreciation                 | 18,036,655               | 1,918,081          | 605,000                     | 19,349,736               |
| Governmental Activities Capital<br>Assets, Net | <u>\$ 66,099,901</u>     | <u>\$ (54,180)</u> | <u>\$ -</u>                 | <u>\$ 66,045,721</u>     |

Depreciation expense was charged to governmental activities as follows:

|                                             |                     |
|---------------------------------------------|---------------------|
| Governmental Activities:                    |                     |
| Instruction                                 | \$ 1,140,985        |
| Supervision and Administration              | 6,805               |
| Instructional Library, Media and Technology | 32,160              |
| School Site Administration                  | 164,187             |
| Home-to-School Transportation               | 97,185              |
| Food Services                               | 82,000              |
| All Other Pupil Services                    | 87,390              |
| Ancillary Services                          | 8,907               |
| All Other General Administration            | 97,801              |
| Plant Services                              | 200,661             |
| Total Depreciation Expense                  | <u>\$ 1,918,081</u> |

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5. OPERATING LEASES

The District has entered into agreements for portables under operating leases. At June 30, 2021, the future minimum lease payments for the agreements are as follows:

| <u>Year Ending June 30</u> | <u>Lease Payments</u> |
|----------------------------|-----------------------|
| 2022                       | \$ 239,860            |
| 2023                       | 10,260                |
| 2024                       | 10,260                |
| 2025                       | <u>7,695</u>          |
| Total                      | <u>\$ 268,075</u>     |

6. LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2021, is shown below:

|                           | Balance<br>June 30, 2020 | Additions         | Deductions          | Balance<br>June 30, 2021 | Amounts<br>Due Within<br>One Year |
|---------------------------|--------------------------|-------------------|---------------------|--------------------------|-----------------------------------|
| General Obligation Bonds* | \$ 55,534,895            | \$ -              | \$ 1,863,761        | \$ 53,671,134            | \$ 2,053,455                      |
| Bond Premium              | 862,951                  | -                 | 33,191              | 829,760                  | 33,191                            |
| Capital Lease             | 450,808                  | -                 | 183,326             | 267,482                  | 188,836                           |
| Total OPEB Liability      | 15,664,504               | 597,457           | -                   | 16,261,961               | -                                 |
| Compensated Absences      | 445,825                  | -                 | 4,630               | 441,195                  | -                                 |
| Net Pension Liability     | 41,290,754               | -                 | 232,788             | 41,057,966               | -                                 |
| Other Long-Term Debt      | <u>241,590</u>           | -                 | <u>120,795</u>      | <u>120,795</u>           | <u>95,009</u>                     |
| Total                     | <u>\$ 114,491,327</u>    | <u>\$ 597,457</u> | <u>\$ 2,438,491</u> | <u>\$ 112,650,293</u>    | <u>\$ 2,370,491</u>               |

\* The balance of General Obligation Bonds at July 1, 2020 was restated by \$260,450 to reflect the correct balance of the 2002 Series A and Series 2004 bonds.

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7. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2021, is the following:

| Bond                    | Date of Bond | Year of Maturity | Rate of Interest | Amount of Original Issue | Bonds Outstanding June 30, 2020 | Issued During Year | Matured During Year | Bonds Outstanding June 30, 2021 |
|-------------------------|--------------|------------------|------------------|--------------------------|---------------------------------|--------------------|---------------------|---------------------------------|
| Series 2006C            | 11/9/2006    | 2032             | 3.45-4.68%       | \$ 3,853,288             | \$ 1,383,288                    | \$ -               | \$ -                | \$ 1,383,288                    |
| Series 2008A            | 12/18/2008   | 2034             | 3.00-6.80%       | 4,056,633                | 1,582,409                       | -                  | -                   | 1,582,409                       |
| Series 2010B            | 5/27/2010    | 2050             | 2.00-6.95%       | 6,960,719                | 5,965,719                       | -                  | 75,000              | 5,890,719                       |
| 2012 Series A           | 6/28/2012    | 2024             | 2.00-3.00%       | 2,185,000                | 1,080,000                       | -                  | 230,000             | 850,000                         |
| 2012 Series B           | 6/28/2012    | 2032             | 1.52-4.50%       | 3,819,839                | 2,848,201                       | -                  | 145,316             | 2,702,885                       |
| 2008 Series 2014A       | 2/6/2014     | 2024             | 3.15%            | 3,000,000                | 1,510,000                       | -                  | 385,000             | 1,125,000                       |
| 2014 Series A Refunding | 11/4/2014    | 2030             | 2.00-3.25%       | 3,795,000                | 2,550,000                       | -                  | 300,000             | 2,250,000                       |
| 2015 Series A           | 11/4/2014    | 2040             | 3.00-5.00%       | 10,000,000               | 9,655,000                       | -                  | 110,000             | 9,545,000                       |
| 2016 Refunding          | 4/27/2016    | 2032             | 2.00-4.00%       | 4,685,000                | 3,900,000                       | -                  | 470,000             | 3,430,000                       |
| 2016 Series B           | 4/27/2016    | 2046             | 2.00-4.04%       | 18,395,630               | 17,960,630                      | -                  | -                   | 17,960,630                      |
| 2008 Series D           | 9/20/2017    | 2042             | 1.41-4.02%       | 6,919,199                | 6,839,199                       | -                  | 148,445             | 6,690,754                       |
| 2002 Series A           | 12/20/2002   | 2027             | 2.25-5.53%       | 5,498,334                | 163,334                         | -                  | -                   | 163,334                         |
| Series 2004             | 11/4/2004    | 2029             | 2.50-4.50%       | 2,647,114                | 97,115                          | -                  | -                   | 97,115                          |
| Total                   |              |                  |                  | \$ 75,815,756            | \$ 55,534,895                   | \$ -               | \$ 1,863,761        | \$ 53,671,134                   |

The annual requirement to amortize the Series 2006C general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| Year Ending June 30 | Principal    | Interest     | Total        |
|---------------------|--------------|--------------|--------------|
| 2022                | \$ -         | \$ -         | \$ -         |
| 2023                | -            | -            | -            |
| 2024                | -            | -            | -            |
| 2025                | 117,341      | 212,659      | 330,000      |
| 2026                | 115,820      | 229,180      | 345,000      |
| 2027-31             | 805,419      | 2,154,581    | 2,960,000    |
| 2032                | 344,708      | 1,105,292    | 1,450,000    |
| Total               | \$ 1,383,288 | \$ 3,701,712 | \$ 5,085,000 |

The annual requirement to amortize the Series 2008A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| Year Ending June 30 | Principal    | Interest     | Total        |
|---------------------|--------------|--------------|--------------|
| 2022                | \$ -         | \$ -         | \$ -         |
| 2023                | -            | -            | -            |
| 2024                | -            | -            | -            |
| 2025                | -            | -            | -            |
| 2026                | -            | -            | -            |
| 2027-31             | 558,857      | 1,572,871    | 2,131,728    |
| 2031-34             | 1,023,552    | 4,101,448    | 5,125,000    |
| Total               | \$ 1,582,409 | \$ 5,674,319 | \$ 7,256,728 |

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The annual requirement to amortize the Series 2010B general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>      | <u>Total</u>         |
|----------------------------|---------------------|----------------------|----------------------|
| 2022                       | \$ 60,000           | \$ 57,750            | \$ 117,750           |
| 2023                       | 65,000              | 54,625               | 119,625              |
| 2024                       | 75,000              | 51,125               | 126,125              |
| 2025                       | 85,000              | 47,125               | 132,125              |
| 2026                       | 90,000              | 42,750               | 132,750              |
| 2027-31                    | 640,000             | 128,750              | 768,750              |
| 2032-36                    | 387,149             | 3,752,101            | 4,139,250            |
| 2037-41                    | 1,774,292           | 9,794,207            | 11,568,499           |
| 2042-46                    | 1,540,265           | 12,833,429           | 14,373,694           |
| 2047-50                    | 1,174,013           | 14,755,880           | 15,929,893           |
| Total                      | <u>\$ 5,890,719</u> | <u>\$ 41,517,742</u> | <u>\$ 47,408,461</u> |

The annual requirement to amortize the 2012 Series A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|----------------------------|-------------------|------------------|-------------------|
| 2022                       | \$ 260,000        | \$ 20,250        | \$ 280,250        |
| 2023                       | 280,000           | 13,150           | 293,150           |
| 2024                       | 310,000           | 4,650            | 314,650           |
| Total                      | <u>\$ 850,000</u> | <u>\$ 38,050</u> | <u>\$ 888,050</u> |

The annual requirement to amortize the 2012 Series B general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------------|---------------------|---------------------|---------------------|
| 2022                       | \$ 139,725          | \$ 173,353          | \$ 313,078          |
| 2023                       | 137,631             | 151,447             | 289,078             |
| 2024                       | 203,538             | 119,458             | 322,996             |
| 2025                       | 217,739             | 111,213             | 328,952             |
| 2026                       | 236,672             | 102,379             | 339,051             |
| 2027-31                    | 1,466,128           | 347,730             | 1,813,858           |
| 2032                       | 301,452             | 16,474              | 317,926             |
| Total                      | <u>\$ 2,702,885</u> | <u>\$ 1,022,054</u> | <u>\$ 3,724,939</u> |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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The annual requirement to amortize the 2008 Series 2014A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal*</u>   | <u>Interest</u>  | <u>Total</u>        |
|----------------------------|---------------------|------------------|---------------------|
| 2022                       | \$ 425,000          | \$ 32,726        | \$ 457,726          |
| 2023                       | 460,000             | 18,838           | 478,838             |
| 2024                       | 240,000             | 3,831            | 243,831             |
| Total                      | <u>\$ 1,125,000</u> | <u>\$ 55,395</u> | <u>\$ 1,180,395</u> |

\* Mandatory Sinking Fund Payment

The annual requirement to amortize the 2014 Series A Refunding general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2022                       | \$ 325,000          | \$ 84,369         | \$ 409,369          |
| 2023                       | 345,000             | 67,619            | 412,619             |
| 2024                       | 370,000             | 49,743            | 419,743             |
| 2025                       | 35,000              | 39,619            | 74,619              |
| 2026                       | 25,000              | 38,119            | 63,119              |
| 2027-30                    | 1,150,000           | 120,259           | 1,270,259           |
| Total                      | <u>\$ 2,250,000</u> | <u>\$ 399,728</u> | <u>\$ 2,649,728</u> |

The annual requirement to amortize the Series 2015 Series A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|----------------------------|---------------------|---------------------|----------------------|
| 2022                       | \$ 135,000          | \$ 384,931          | \$ 519,931           |
| 2023                       | 165,000             | 377,431             | 542,431              |
| 2024                       | 195,000             | 368,431             | 563,431              |
| 2025                       | 230,000             | 357,806             | 587,806              |
| 2026                       | 260,000             | 345,556             | 605,556              |
| 2027-31                    | 1,900,000           | 1,531,306           | 3,431,306            |
| 2032-36                    | 3,060,000           | 1,099,972           | 4,159,972            |
| 2037-40                    | 3,600,000           | 338,500             | 3,938,500            |
| Total                      | <u>\$ 9,545,000</u> | <u>\$ 4,803,933</u> | <u>\$ 14,348,933</u> |

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The annual requirement to amortize the Series 2016 Refunding general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2022                       | \$ 535,000          | \$ 82,525         | \$ 617,525          |
| 2023                       | 590,000             | 71,275            | 661,275             |
| 2024                       | 635,000             | 59,025            | 694,025             |
| 2025                       | 385,000             | 48,825            | 433,825             |
| 2026                       | 415,000             | 36,675            | 451,675             |
| 2027-31                    | 775,000             | 46,394            | 821,394             |
| 2032                       | 95,000              | 1,306             | 96,306              |
| Total                      | <u>\$ 3,430,000</u> | <u>\$ 346,025</u> | <u>\$ 3,776,025</u> |

The annual requirement to amortize the 2016 Series B general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|----------------------------|----------------------|----------------------|----------------------|
| 2022                       | \$ 10,000            | \$ 633,000           | \$ 643,000           |
| 2023                       | 30,000               | 632,400              | 662,400              |
| 2024                       | 60,000               | 631,050              | 691,050              |
| 2025                       | 85,000               | 628,875              | 713,875              |
| 2026                       | 125,000              | 625,100              | 750,100              |
| 2027-31                    | 1,170,000            | 3,012,600            | 4,182,600            |
| 2032-36                    | 2,400,000            | 2,683,975            | 5,083,975            |
| 2037-41                    | 2,715,630            | 4,424,595            | 7,140,225            |
| 2042-46                    | 11,365,000           | 1,211,500            | 12,576,500           |
| Total                      | <u>\$ 17,960,630</u> | <u>\$ 14,483,095</u> | <u>\$ 32,443,725</u> |

The annual requirement to amortize the 2008 Series D general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|----------------------------|---------------------|---------------------|----------------------|
| 2022                       | \$ 163,730          | \$ 39,683           | \$ 203,413           |
| 2023                       | 145,504             | 43,371              | 188,875              |
| 2024                       | 141,354             | 90,334              | 231,688              |
| 2025                       | 576,578             | 138,707             | 715,285              |
| 2026                       | 579,609             | 95,935              | 675,544              |
| 2027-31                    | 2,868,031           | 1,080,952           | 3,948,983            |
| 2032-36                    | 993,005             | 713,375             | 1,706,380            |
| 2037-41                    | 1,031,158           | 1,359,547           | 2,390,705            |
| 2042                       | 191,785             | 154,107             | 345,892              |
| Total                      | <u>\$ 6,690,754</u> | <u>\$ 3,716,011</u> | <u>\$ 10,406,765</u> |

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The annual requirement to amortize the 2002 Series A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>  | <u>Interest</u>     | <u>Total</u>        |
|----------------------------|-------------------|---------------------|---------------------|
| 2022                       | \$ -              | \$ -                | \$ -                |
| 2023                       | -                 | -                   | -                   |
| 2024                       | -                 | -                   | -                   |
| 2025                       | 57,898            | 682,102             | 740,000             |
| 2026                       | 54,311            | 725,689             | 780,000             |
| 2027                       | 51,125            | 773,875             | 825,000             |
| Total                      | <u>\$ 163,334</u> | <u>\$ 2,181,666</u> | <u>\$ 2,345,000</u> |

The annual requirement to amortize the 2002 Series A general obligation bonds payable, outstanding at June 30, 2021, is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u>     | <u>Total</u>        |
|----------------------------|------------------|---------------------|---------------------|
| 2022                       | \$ -             | \$ -                | \$ -                |
| 2023                       | -                | -                   | -                   |
| 2024                       | -                | -                   | -                   |
| 2025                       | -                | -                   | -                   |
| 2026                       | -                | -                   | -                   |
| 2027-29                    | 97,115           | 1,387,885           | 1,485,000           |
| Total                      | <u>\$ 97,115</u> | <u>\$ 1,387,885</u> | <u>\$ 1,485,000</u> |

The total annual requirement to amortize general obligation bonds payable, outstanding at June 30, 2021, is summarized as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|----------------------|----------------------|-----------------------|
| 2022                       | \$ 2,053,455         | \$ 1,508,587         | \$ 3,562,042          |
| 2023                       | 2,218,135            | 1,430,156            | 3,648,291             |
| 2024                       | 2,229,892            | 1,377,647            | 3,607,539             |
| 2025                       | 1,789,556            | 2,266,931            | 4,056,487             |
| 2026                       | 1,901,412            | 2,241,383            | 4,142,795             |
| 2027-31                    | 11,481,675           | 12,157,203           | 23,638,878            |
| 2032-36                    | 8,604,866            | 13,473,943           | 22,078,809            |
| 2037-41                    | 9,121,080            | 15,916,849           | 25,037,929            |
| 2042-46                    | 13,097,050           | 14,199,036           | 27,296,086            |
| 2047-50                    | 1,174,013            | 14,755,880           | 15,929,893            |
| Total                      | <u>\$ 53,671,134</u> | <u>\$ 79,327,615</u> | <u>\$ 132,998,749</u> |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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8. CAPITAL LEASE AGREEMENTS

The District has entered into capital leases for portables and laptops. Future minimum lease payments under these agreements are as follow:

| Year Ending<br>June 30 | Lease Payment<br>(Net of Interest) |
|------------------------|------------------------------------|
| 2022                   | \$ 188,836                         |
| 2023                   | 78,646                             |
| Total                  | <u>\$ 267,482</u>                  |

9. TOTAL OPEB LIABILITY

General Information About the OPEB Plan

Plan Description.

Eligible employees may continue medical and dental benefits at retirement. The plan is available to Southern Kern Unified (RTA) employees, classified employees (CSEA), management & confidential employees, psychologists, and supervisors. The Plan is a single-employer defined benefit OPEB plan administered by the District. Board Policy grants the authority to establish and amend the benefit terms and financing requirements to the governing board.

Benefits Provided.

The following is a description of the current retiree benefit plan:

|                         | Certificated, Management and<br>Confidential | Classified                 |
|-------------------------|----------------------------------------------|----------------------------|
| Benefit Types Provided  | Medical, Dental and Vision                   | Medical, Dental and Vision |
| Duration of Benefits    | To age 65*                                   | To age 65**                |
| Required Service        | 20 years*                                    | 20 years**                 |
| Minimum Age             | Retirement                                   | Retirement                 |
| Dependent Coverage      | Yes                                          | Yes                        |
| District Contribution % | 100% to cap                                  | 100% to cap                |
| District Cap            | Active Cap                                   | Active Cap                 |

\*Employees hired up to 7/1/15 are entitled to 5 years of benefits for service of 12 to 19 years; and benefits can extend beyond age 65

\*\*Employees hired up to 7/1/14 are entitled to 5 years of benefits for service of 12 to 19 years; and benefits can extend beyond age 65

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

|                                                 |       |
|-------------------------------------------------|-------|
| Inactive employees currently receiving benefits | 75    |
| Participating Active Employees                  | 335   |
|                                                 | <hr/> |
| Total                                           | 410   |
|                                                 | <hr/> |

Total OPEB Liability

The District total OPEB liability of \$16,261,961 was measured as of June 30, 2021. The District uses an actuarial measurement date that is the same as its fiscal year-end. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                            |       |
|----------------------------|-------|
| Inflation                  | 2.75% |
| Salary increases           | 2.75% |
| Discount rate              | 2.16% |
| Healthcare cost trend rate | 4.00% |

The discount rate is based on the Bond Buyer 20-Bond index.

Mortality rates are based on the most recent rates used by CalPERS and STRS for the pension valuations. Termination rates are based on the most recent rates used by CalPERS and the California State Teachers Retirement System (STRS) for the pension valuation.

Changes in the Total OPEB Liability

|                           | Total<br>OPEB Liability |
|---------------------------|-------------------------|
|                           | <hr/>                   |
| Balance at July 1, 2020   | \$ 15,664,504           |
| Changes for the year:     |                         |
| Service Cost              | 1,069,849               |
| Interest                  | 346,735                 |
| Assumption Changes        | 58,332                  |
| Benefit Payments          | (877,459)               |
| Experience (Gains)/Losses | -                       |
| Net changes               | 597,457                 |
|                           | <hr/>                   |
| Balance at June 30, 2021  | \$ 16,261,961           |
|                           | <hr/>                   |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

|                              | 1% Decrease<br>1.16% | Discount Rate<br>2.16% | 1% Increase<br>3.16% |
|------------------------------|----------------------|------------------------|----------------------|
| Total OPEB liability (asset) | \$ 17,639,293        | \$ 16,261,961          | \$ 14,977,440        |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

|                            | 1% Decrease<br>3.00% | Healthcare Cost<br>Trend Rate<br>4.00% | 1% Increase<br>5.00% |
|----------------------------|----------------------|----------------------------------------|----------------------|
| Net OPEB liability (asset) | \$ 14,116,946        | \$ 16,261,961                          | \$ 18,883,049        |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,135,999. At June 30, 2021 the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

|                                                               | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------------------|--------------------------------------|-------------------------------------|
| District contributions after the measurement date             | \$ -                                 | \$ -                                |
| Differences between expected and actual experience            | -                                    | 3,393,943                           |
| Changes in assumptions or other inputs                        | 639,654                              | 750,832                             |
| Difference between projected and actual return on investments | -                                    | -                                   |
| Total                                                         | <u>\$ 639,654</u>                    | <u>\$ 4,144,775</u>                 |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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The amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ending June 30 | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------|--------------------------------------|-------------------------------------|
| 2022                | \$ 45,776                            | \$ 326,361                          |
| 2023                | 45,776                               | 326,361                             |
| 2024                | 45,776                               | 326,361                             |
| 2025                | 45,776                               | 326,361                             |
| 2026                | 45,776                               | 326,361                             |
| Thereafter          | 410,774                              | 2,512,970                           |
| Total               | <u>\$ 639,654</u>                    | <u>\$ 4,144,775</u>                 |

10. COMPENSATED ABSENCES

The total accumulated unpaid employee compensated absences as of June 30, 2021, amounted to \$441,195.

11. NET PENSION LIABILITY

General Information About the Pension Plans

Plan Descriptions

Qualified employees are covered under cost-sharing 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). Benefit provisions under the plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalPERS and CalSTRS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

Benefits Provided

CalPERS and CalSTRS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of service credit for each year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
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The plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

|                                                   | CalPERS                          |                                       | CalSTRS                          |                                       |
|---------------------------------------------------|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
|                                                   | Before<br><u>January 1, 2013</u> | On or After<br><u>January 1, 2013</u> | Before<br><u>January 1, 2013</u> | On or After<br><u>January 1, 2013</u> |
| Hire Date                                         | <u>January 1, 2013</u>           | <u>January 1, 2013</u>                | <u>January 1, 2013</u>           | <u>January 1, 2013</u>                |
| Benefit Formula                                   | 2% at 55                         | 2% at 62                              | 2% at 60                         | 2% at 62                              |
| Benefit Vesting Schedule                          | 5 Years                          | 5 Years                               | 5 Years                          | 5 Years                               |
| Benefit Payments                                  | Monthly for Life                 | Monthly for Life                      | Monthly for Life                 | Monthly for Life                      |
| Retirement Age                                    | 50-62                            | 52-67                                 | 50-62                            | 55-67                                 |
| Monthly benefits, as a % of eligible compensation | 1.1 - 2.5%                       | 1.0 - 2.5%                            | 1.1 - 2.4%                       | 1.0 - 2.4%*                           |
| Required employee contribution rates (average)    | 7.000%                           | 7.000%                                | 10.250%                          | 10.250%                               |
| Required employer contribution rates              | 20.700%                          | 20.700%                               | 16.150%                          | 16.150%                               |

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

Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2020 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.88% of annual payroll. For the fiscal year ending June 30, 2021, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 7.00%, and the employer's contribution rate was 20.70%.

On-Behalf Payments

Consistent with Section 20825.2 of the Government Code, the State of California appropriated \$904,000,000 from the General Fund for the 2020-21 fiscal year to be apportioned as follows:

- a) \$144,000,000 to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2019-20 fiscal year.
- b) \$100,000,000 to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2020-21 fiscal year.
- c) \$660,000,000 shall be applied to the unfunded liabilities for the school employers whose assets and liabilities are merged pursuant to subdivision (a) of Section 20618.

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Any payments made pursuant to this section shall not discharge the school employers for any remaining amounts due and payable pursuant to this part.

On-behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

Contributions - CalSTRS

For the measurement period ended June 30, 2020 (measurement date), Section 22950 of the California Education Code requires members to make monthly contributions 10.205% of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.150% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Section 22950.5 states, "For fiscal year 2021-22 and each fiscal year thereafter, the board shall increase or decrease the percentages paid specified in this section from the percentage paid during the prior fiscal year to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the board based upon a recommendation from its actuary.

On-Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2020 (measurement date), the State contributed 10.328% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On-behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

Contributions Recognized

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each plan were as follows:

|                                             | <u>CalPERS</u>      | <u>CalSTRS</u>      |
|---------------------------------------------|---------------------|---------------------|
| Contributions - Employer                    | \$ 1,417,028        | \$ 2,469,767        |
| Contributions - Employee (paid by employer) | 502,976             | 1,473,917           |
| Contributions - State On-Behalf Payments    | <u>-</u>            | <u>1,915,419</u>    |
| Total                                       | <u>\$ 1,920,004</u> | <u>\$ 5,859,103</u> |

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

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of each plan as follows:

|                             | Proportionate<br>Share of Net<br>Pension Liability |
|-----------------------------|----------------------------------------------------|
| CalPERS                     | \$ 15,280,172                                      |
| CalSTRS                     | <u>2,577,794</u>                                   |
| Total Net Pension Liability | <u>\$ 17,857,966</u>                               |

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability as of June 30, 2020. The total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2021, the District recognized pension expense of \$5,349,934. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date                                                                                               | \$ 5,316,130                         | \$ -                                |
| Differences between actual and expected experience                                                                                                 | 803,335                              | 726,978                             |
| Changes in assumptions                                                                                                                             | 2,569,733                            | -                                   |
| Change in employer's proportion and differences between<br>the employer's contributions and the employer's<br>proportionate share of contributions | -                                    | -                                   |
| Net difference between projected and actual earnings<br>on plan investments                                                                        | <u>930,417</u>                       | <u>-</u>                            |
| Total                                                                                                                                              | <u>\$ 9,619,615</u>                  | <u>\$ 726,978</u>                   |

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\$5,316,130 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ending June 30</u> |                     |
|----------------------------|---------------------|
| 2022                       | \$ 630,451          |
| 2023                       | 1,191,952           |
| 2024                       | 1,380,686           |
| 2025                       | 438,606             |
| 2026                       | (70,076)            |
| Thereafter                 | <u>4,888</u>        |
| Total                      | <u>\$ 3,576,507</u> |

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

|                           | <u>CalPERS</u>     | <u>CalSTRS</u>     |
|---------------------------|--------------------|--------------------|
| Valuation Date            | June 30, 2019      | June 30, 2019      |
| Measurement Date          | June 30, 2020      | June 30, 2020      |
| Actuarial Cost Method     | Entry Age - Normal | Entry Age - Normal |
| Actuarial Assumptions     |                    |                    |
| Discount Rate             | 7.15%              | 7.10%              |
| Inflation                 | 2.50%              | 2.75%              |
| Payroll Growth            | 3.00%              | 3.50%              |
| Projected Salary Increase | Varies *           | Varies *           |
| Investment Rate of Return | 7.15% #            | 7.10% #            |
| Mortality                 | Varies &           | Varies &           |

\* Depending on age, service and type of employment

# Net of pension plan investment expenses, including inflation

& Depending on age, gender and type of job

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for CalPERS and 7.10% for CalSTRS. To determine whether the District bond rate should be used in calculation of a discount rate for each plan, CalPERS and CalSTRS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan.

The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS and CalSTRS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS and CalSTRS review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require board action and proper stakeholder outreach.

CalSTRS conducts an Asset Liability Management (ALM) study every four years to direct how the Investment staff allocates assets among different opportunities. This study weighs the teachers' pension liabilities versus assets needed to fund these pensions over the long term and is a critical process that drives the performance of the investment portfolio.

The culmination of the most recent study was marked by new long-term asset allocation targets adopted by the board's Investment Committee in November 2019. These targets balance the tradeoff between achieving full funding, the risk of low funding and the risk of higher contribution rates based on the CalSTRS Funding Plan.

In January 2020, the Investment Committee was presented with a plan to navigate from the current asset allocation to the new long-term targets.

As part of the Asset Liability Management (ALM) process, the CalPERS Board of Administration (the Board) reviewed the capital market assumptions and economic assumptions in June 2020.

In June 2020, CalPERS' investment staff presented updates on capital market assumptions and economic assumptions to the Board. The capital market assumptions update compared the 10-year 2020 expected returns to 2017 for the PERF and 2018 for the affiliates. The economic assumptions presented an economic overview based on the unprecedented impact caused by COVID-19. Topics addressed were U.S. unemployment, U.S. GDP, U.S. & Global responses, and the economic uncertainty forecasted. Last, the Board received a presentation regarding next step planning and preparation for the ALM cycle set to begin in 2021.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

| Asset Class                | CalSTRS                   |                                    |
|----------------------------|---------------------------|------------------------------------|
|                            | Assumed Assets Allocation | Long Term Expected Rate of Return* |
| Public Equity              | 42.00%                    | 4.80%                              |
| Fixed Income               | 12.00%                    | 1.30%                              |
| Inflation Sensitive        | 6.00%                     | 3.30%                              |
| Private Equity             | 13.00%                    | 6.30%                              |
| Real Estate                | 15.00%                    | 3.60%                              |
| Liquidity                  | 2.00%                     | -0.40%                             |
| Risk Mitigating Strategies | 10.00%                    | 1.80%                              |

\* 20-year average

| Asset Class      | CalPERS                  |                            |                           |
|------------------|--------------------------|----------------------------|---------------------------|
|                  | Assumed Asset Allocation | Real Return (Years 1-10) * | Real Return (Years 11+) # |
| Global Equity    | 50.00%                   | 4.80%                      | 5.98%                     |
| Fixed Income     | 28.00%                   | 1.00%                      | 2.62%                     |
| Inflation Assets | -                        | 0.77%                      | 1.81%                     |
| Private Equity   | 8.00%                    | 6.30%                      | 7.23%                     |
| Real Estate      | 13.00%                   | 3.75%                      | 4.93%                     |
| Liquidity        | 1.00%                    | -                          | -0.92%                    |

\* An expected inflation of 2.00% used for this period

# An expected inflation of 2.92% used for this period

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|                       | CalPERS       | CalSTRS       |
|-----------------------|---------------|---------------|
| 1% Decrease           | 6.15%         | 6.10%         |
| Net Pension Liability | \$ 21,968,033 | \$ 38,946,656 |
| Current Discount Rate | 7.15%         | 7.10%         |
| Net Pension Liability | \$ 15,280,172 | \$ 25,777,794 |
| 1% Increase           | 8.15%         | 8.10%         |
| Net Pension Liability | \$ 9,729,582  | \$ 14,905,044 |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Pension Plan Fiduciary Net Position

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

12. OTHER LONG-TERM DEBT

The District entered into two purchase agreements for instructional materials with deferred payment plans. At June 30, 2021, the deferred payments are as follows:

| <u>Year Ending<br/>June 30</u> | <u>Lease Payment<br/>(Net of Interest)</u> |
|--------------------------------|--------------------------------------------|
| 2022                           | \$ 95,009                                  |
| 2023                           | <u>25,786</u>                              |
| Total                          | <u>\$ 120,795</u>                          |

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, 2021, for litigation and other tax refund claims pending at that time are as follows:

|                                         |                     |
|-----------------------------------------|---------------------|
| Total Liabilities (as of June 30, 2021) | \$ 3,449,478        |
| Less: Impounds (as of June 30, 2021)    | <u>(2,665,430)</u>  |
| Net Liability                           | <u>\$ 6,114,908</u> |

It should be noted that these figures do not include any appeals or claims of litigation filed or compiled after June 30, 2021, but they do include provisions for valuation and taxes in dispute through June 30, 2021.

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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Governing Board: Board of Directors are elected by member districts. All board members are employees of school districts.

Condensed audited financial information on the JPAs is as follows:

|                                         | SISC I<br>6/30/20    | SISC II<br>6/30/20   | SISC III<br>9/30/20   |
|-----------------------------------------|----------------------|----------------------|-----------------------|
| Total Assets                            | \$ 105,358,716       | \$ 62,013,096        | \$ 894,318,838        |
| Total Liabilities                       | 57,821,857           | 49,278,532           | 210,116,678           |
| Net Position                            | <u>\$ 47,536,859</u> | <u>\$ 12,734,564</u> | <u>\$ 684,202,160</u> |
| Total Revenues                          | \$ 27,897,757        | \$ 35,576,252        | \$ 2,639,716,772      |
| Total Expenditures                      | 20,452,147           | 31,829,850           | 2,482,489,489         |
| Net Increase (Decrease) in Net Position | <u>\$ 7,445,610</u>  | <u>\$ 3,746,402</u>  | <u>\$ 157,227,283</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 terms of the grants, it is believed that any required reimbursement will not be material.

B. Pending Litigation

As of June 30, 2021, there are no claims of litigation involving the District.

C. Construction Commitments

As of June 30, 2021, the District had no commitments with respect to unfinished capital projects.

16. ADJUSTMENT FOR RESTATEMENT

In accordance with GASB Statement No. 84, the activities of the Associated Student Body Funds are now reported as a governmental fund. Net position and fund balance have been restated by \$224,033 to reflect the change.

General long-term debt was increased as of July 1, 2020 to include remaining, unrefunded balances of 2002 Series A Bonds and the Series 2003 Bonds. As a result, net position at July 1, 2020 was restated by \$(260,450).

Required Supplementary  
Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                          | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with</u>       |
|----------------------------------------------------------|-------------------------|------------------|------------------|----------------------------|
|                                                          | <u>Original</u>         | <u>Final</u>     | <u>(GAAP</u>     | <u>Final Budget</u>        |
|                                                          |                         |                  | <u>Basis)</u>    | <u>Positive (Negative)</u> |
| <u>REVENUES</u>                                          |                         |                  |                  |                            |
| Local Control Funding Formula Sources:                   |                         |                  |                  |                            |
| State Apportionments                                     | \$ 21,928,530           | \$ 22,043,450    | \$ 18,640,327    | \$ (3,403,123)             |
| Education Protection Account Funds                       | 4,265,483               | 6,476,778        | 11,313,752       | 4,836,974                  |
| Local Sources                                            | 7,425,992               | 7,652,748        | 6,471,941        | (1,180,807)                |
| Total LCFF Sources                                       | 33,620,005              | 36,172,976       | 36,426,020       | 253,044                    |
| <br>Federal Revenues                                     | <br>2,185,808           | <br>5,662,457    | <br>4,837,644    | <br>(824,813)              |
| Other State Revenues                                     | 1,440,758               | 1,654,922        | 5,042,325        | 3,387,403                  |
| Other Local Revenues                                     | 2,468,814               | 2,422,199        | 3,096,812        | 674,613                    |
| Total Revenues                                           | 39,715,385              | 45,912,554       | 49,402,801       | 3,490,247                  |
| <br><u>EXPENDITURES</u>                                  |                         |                  |                  |                            |
| Certificated Salaries                                    | 15,439,983              | 15,429,088       | 15,060,310       | 368,778                    |
| Classified Salaries                                      | 6,481,678               | 6,593,383        | 6,556,872        | 36,511                     |
| Employee Benefits                                        | 11,454,573              | 11,495,223       | 12,484,708       | (989,485)                  |
| Books and Supplies                                       | 1,437,771               | 4,549,198        | 3,551,353        | 997,845                    |
| Services and Other Operating Expenditures                | 3,072,403               | 3,456,373        | 3,336,620        | 119,753                    |
| Other Outgo                                              | 3,250                   | 3,250            | 3,039            | 211                        |
| Capital Outlay                                           | 67,115                  | 167,115          | 993,053          | (825,938)                  |
| Debt Service:                                            |                         |                  |                  |                            |
| Principal                                                | -                       | -                | 104,680          | (104,680)                  |
| Interest                                                 | 47,660                  | 47,660           | 47,332           | 328                        |
| Total Expenditures                                       | 38,004,433              | 41,741,290       | 42,137,967       | (396,677)                  |
| <br>EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <br>\$ 1,710,952        | <br>\$ 4,171,264 | <br>7,264,834    | <br>\$ 3,093,570           |
| <br><u>FUND BALANCE</u> - JULY 1, 2020                   |                         |                  | <br>298,419      |                            |
| <br><u>FUND BALANCE</u> - JUNE 30, 2021                  |                         |                  | <br>\$ 7,563,253 |                            |

See accompanying Notes to Required Supplementary Information.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS\*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                     | Fiscal Year<br>2021  | Fiscal Year<br>2020  | Fiscal Year<br>2019  | Fiscal Year<br>2018  |
|---------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>                                         |                      |                      |                      |                      |
| Service cost                                                        | \$ 1,069,849         | \$ 1,219,682         | \$ 1,129,710         | \$ 1,099,474         |
| Interest                                                            | 346,735              | 690,127              | 639,842              | 666,146              |
| Assumption Changes                                                  | 58,332               | (869,074)            | 710,712              | -                    |
| Benefit payments                                                    | (877,459)            | (1,111,758)          | (1,065,299)          | (1,024,326)          |
| Experience (Gains)/Losses                                           | -                    | (3,928,423)          | -                    | -                    |
| Net Change in OPEB Liability                                        | 597,457              | (3,999,446)          | 1,414,965            | 741,294              |
| Total OPEB Liability-Beginning                                      | 15,664,504           | 19,663,950           | 18,248,985           | 17,507,691           |
| Total OPEB Liability-Ending                                         | <u>\$ 16,261,961</u> | <u>\$ 15,664,504</u> | <u>\$ 19,663,950</u> | <u>\$ 18,248,985</u> |
| Covered - Employee Payroll                                          | <u>\$ 20,952,758</u> | <u>\$ 20,777,030</u> | <u>\$ 26,938,418</u> | <u>\$ 26,202,621</u> |
| Total OPEB Liability as a Percentage of<br>Covered-Employee Payroll | <u>77.61%</u>        | <u>75.39%</u>        | <u>73.00%</u>        | <u>69.65%</u>        |

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALPERS LAST TEN FISCAL YEARS\*  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                                                             | CalPERS             |                     |                     |                     |                     |                     |                     |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                             | Fiscal Year<br>2021 | Fiscal Year<br>2020 | Fiscal Year<br>2019 | Fiscal Year<br>2018 | Fiscal Year<br>2017 | Fiscal Year<br>2016 | Fiscal Year<br>2015 |
| District's proportion of the net pension liability                                                          | 0.04980%            | 0.05531%            | 0.06804%            | 0.06349%            | 0.05653%            | 0.05508%            | 0.04468%            |
| District's proportionate share of the net pension liability                                                 | \$ 15,280,172       | \$ 16,119,685       | \$ 18,141,606       | \$ 15,156,739       | \$ 11,164,710       | \$ 8,118,846        | \$ 5,072,268        |
| District's covered-employee payroll                                                                         | \$ 7,185,376        | \$ 7,693,987        | \$ 8,974,432        | \$ 8,095,622        | \$ 6,782,249        | \$ 6,107,493        | \$ 4,689,836        |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 212.66%             | 209.51%             | 202.15%             | 187.22%             | 164.62%             | 132.93%             | 108.15%             |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 70.00%              | 70.05%              | 70.85%              | 71.87%              | 73.90%              | 79.43%              | 83.38%              |

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

See accompanying Notes to Required Supplementary Information.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALSTRS LAST TEN FISCAL YEARS\*  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                                                             | CalSTRS              |                      |                      |                      |                      |                      |                      |
|-------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                             | Fiscal Year<br>2021  | Fiscal Year<br>2020  | Fiscal Year<br>2019  | Fiscal Year<br>2018  | Fiscal Year<br>2017  | Fiscal Year<br>2016  | Fiscal Year<br>2015  |
| District's proportion of the net pension liability                                                          | 0.02660%             | 0.02787%             | 0.03045%             | 0.02713%             | 0.02632%             | 0.02552%             | 0.02216%             |
| District's proportionate share of the net pension liability                                                 | \$ 25,777,794        | \$ 25,171,069        | \$ 27,985,682        | \$ 25,089,824        | \$ 21,287,789        | \$ 17,181,085        | \$ 12,949,639        |
| State's proportionate share of the net pension liability associated with the District                       | <u>8,768,317</u>     | <u>8,885,136</u>     | <u>10,189,307</u>    | <u>9,325,888</u>     | <u>7,723,243</u>     | <u>6,468,679</u>     | <u>4,145,658</u>     |
| Total                                                                                                       | <u>\$ 34,546,111</u> | <u>\$ 34,056,205</u> | <u>\$ 38,174,989</u> | <u>\$ 34,415,712</u> | <u>\$ 29,011,032</u> | <u>\$ 23,649,764</u> | <u>\$ 17,095,297</u> |
| District's covered-employee payroll                                                                         | \$ 14,443,082        | \$ 15,568,882        | \$ 16,211,261        | \$ 14,376,240        | \$ 13,078,742        | \$ 12,456,396        | \$ 9,819,895         |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 178.48%              | 161.68%              | 172.63%              | 174.52%              | 162.77%              | 137.93%              | 131.89%              |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 71.82%               | 72.56%               | 70.99%               | 69.46%               | 70.04%               | 74.02%               | 76.52%               |

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

See accompanying Notes to Required Supplementary Information.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
CALPERS LAST TEN FISCAL YEARS\*  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                         | CalPERS             |                     |                     |                     |                     |                     |                     |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                         | Fiscal Year<br>2021 | Fiscal Year<br>2020 | Fiscal Year<br>2019 | Fiscal Year<br>2018 | Fiscal Year<br>2017 | Fiscal Year<br>2016 | Fiscal Year<br>2015 |
| Contractually required contribution                                     | \$ 1,478,530        | \$ 1,417,028        | \$ 1,389,688        | \$ 1,399,358        | \$ 1,125,164        | \$ 803,493          | \$ 718,913          |
| Contributions in relation to the contractually<br>required contribution | <u>1,478,530</u>    | <u>1,417,028</u>    | <u>1,389,688</u>    | <u>1,399,358</u>    | <u>1,125,164</u>    | <u>803,493</u>      | <u>718,913</u>      |
| Contribution deficiency (excess)                                        | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered-employee payroll                                     | \$ 7,142,656        | \$ 7,185,376        | \$ 7,693,987        | \$ 13,137,969       | \$ 8,101,703        | \$ 6,782,249        | \$ 6,107,493        |
| Contributions as a percentage of covered-<br>employee payroll           | 20.700%             | 19.721%             | 18.062%             | 15.531%             | 13.888%             | 11.847%             | 11.771%             |

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

See accompanying Notes to Required Supplementary Information.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
CALSTRS LAST TEN FISCAL YEARS\*  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                         | CalSTRS             |                     |                     |                     |                     |                     |                     |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                         | Fiscal Year<br>2021 | Fiscal Year<br>2020 | Fiscal Year<br>2019 | Fiscal Year<br>2018 | Fiscal Year<br>2017 | Fiscal Year<br>2016 | Fiscal Year<br>2015 |
| Contractually required contribution                                     | \$ 2,333,976        | \$ 2,469,767        | \$ 2,534,614        | \$ 2,345,881        | \$ 1,883,287        | \$ 1,403,349        | \$ 1,106,128        |
| Contributions in relation to the contractually<br>required contribution | 2,333,976           | 2,469,767           | 2,534,614           | 2,345,881           | 1,883,287           | 1,403,349           | 1,106,128           |
| Contribution deficiency (excess)                                        | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| District's covered-employee payroll                                     | \$ 14,451,863       | \$ 14,443,082       | \$ 15,568,882       | \$ 16,256,972       | \$ 14,970,482       | \$ 13,078,482       | \$ 12,456,396       |
| Contributions as a percentage of covered-<br>employee payroll           | 16.15%              | 17.10%              | 16.28%              | 14.43%              | 12.58%              | 10.73%              | 8.88%               |

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

See accompanying Notes to Required Supplementary Information.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

1. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2021, expenditures exceeded appropriations in individual funds as follows:

| <u>Appropriations Category</u> | <u>Excess<br/>Expenditures</u> |
|--------------------------------|--------------------------------|
| General Fund:                  |                                |
| Employee Benefits              | \$ 989,485                     |
| Capital Outlay                 | 825,938                        |
| Debt Service-Principal         | 104,680                        |

2. PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules are required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information as of the measurement date of the net OPEB liability.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportion share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

3. SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes - PERS

There were no changes to benefit terms that applied to all members of the Schools Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Changes of Assumptions – PERS

None.

Changes of Assumptions - STRS

None.

Changes of Assumption - OPEB

The discount rate was changed from 2.20 percent to 2.16 percent.

## Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2021

|                                      | STUDENT ACTIVITY<br>SPECIAL REVENUE<br>FUND | ADULT<br>FUND | CAFETERIA<br>FUND | TOTAL        |
|--------------------------------------|---------------------------------------------|---------------|-------------------|--------------|
| <u>ASSETS</u>                        |                                             |               |                   |              |
| Cash                                 |                                             |               |                   |              |
| Cash in County Treasury              | \$ -                                        | \$ 232,819    | \$ 557,348        | \$ 790,167   |
| Cash on Hand and in Bank             | 215,689                                     | -             | -                 | 215,689      |
| Accounts Receivable                  | -                                           | 544           | 315,513           | 316,057      |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| TOTAL ASSETS                         | \$ 215,689                                  | \$ 233,363    | \$ 872,861        | \$ 1,321,913 |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| <u>LIABILITIES AND FUND BALANCES</u> |                                             |               |                   |              |
| Liabilities                          |                                             |               |                   |              |
| Accounts Payable                     | \$ -                                        | \$ -          | \$ 79,702         | \$ 79,702    |
| Unearned Revenue                     | -                                           | -             | 5,242             | 5,242        |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| Total Liabilities                    | -                                           | -             | 84,944            | 84,944       |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| Fund Balances                        |                                             |               |                   |              |
| Restricted                           | 215,689                                     | 131,724       | 786,002           | 1,133,415    |
| Assigned                             | -                                           | 101,639       | 1,915             | 103,554      |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| Total Fund Balances                  | 215,689                                     | 233,363       | 787,917           | 1,236,969    |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |
| TOTAL LIABILITIES AND FUND BALANCES  | \$ 215,689                                  | \$ 233,363    | \$ 872,861        | \$ 1,321,913 |
|                                      | <hr/>                                       | <hr/>         | <hr/>             | <hr/>        |

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                | STUDENT ACTIVITY<br>SPECIAL REVENUE<br>FUND | ADULT<br>FUND | CAFETERIA<br>FUND | TOTAL        |
|----------------------------------------------------------------|---------------------------------------------|---------------|-------------------|--------------|
| <u>REVENUES</u>                                                |                                             |               |                   |              |
| Other Federal Revenues                                         | \$ -                                        | \$ -          | \$ 1,989,075      | \$ 1,989,075 |
| Other State Revenues                                           | -                                           | -             | 110,905           | 110,905      |
| Other Local Revenues                                           | 66,707                                      | 2,479         | 16,518            | 85,704       |
| Total Revenues                                                 | 66,707                                      | 2,479         | 2,116,498         | 2,185,684    |
| <u>EXPENDITURES</u>                                            |                                             |               |                   |              |
| Food Services                                                  | -                                           | -             | 1,817,419         | 1,817,419    |
| Plant Services                                                 | -                                           | -             | 6,215             | 6,215        |
| Ancillary Services                                             | 75,051                                      | -             | -                 | 75,051       |
| Total Expenditures                                             | 75,051                                      | -             | 1,823,634         | 1,898,685    |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES           | (8,344)                                     | 2,479         | 292,864           | 286,999      |
| <u>FUND BALANCES</u> - JULY 1, 2020,<br>as Previously Reported | -                                           | 230,884       | 495,053           | 725,937      |
| Adjustment for Restatement                                     | 224,033                                     | -             | -                 | 224,033      |
| <u>FUND BALANCES</u> - JULY 1, 2020, as Restated               | 224,033                                     | 230,884       | 495,053           | 949,970      |
| <u>FUND BALANCES</u> - JUNE 30, 2021                           | \$ 215,689                                  | \$ 233,363    | \$ 787,917        | \$ 1,236,969 |

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

## STATEMENT 3

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2021

|                                        | BUILDING<br>FUND | CAPITAL<br>FACILITIES<br>FUND | SPECIAL<br>RESERVE<br>FUND | TOTAL               |
|----------------------------------------|------------------|-------------------------------|----------------------------|---------------------|
| <u>ASSETS</u>                          |                  |                               |                            |                     |
| Cash                                   |                  |                               |                            |                     |
| Cash in County Treasury                | \$ 6,684         | \$ 1,073,619                  | \$ 60                      | \$ 1,080,363        |
| Accounts Receivable                    | 17               | 448,373                       | -                          | 448,390             |
| TOTAL ASSETS                           | <u>\$ 6,701</u>  | <u>\$ 1,521,992</u>           | <u>\$ 60</u>               | <u>\$ 1,528,753</u> |
| <u>LIABILITIES AND FUND BALANCES</u>   |                  |                               |                            |                     |
| Liabilities                            |                  |                               |                            |                     |
| Accounts Payable                       | \$ -             | \$ 9,380                      | \$ -                       | \$ 9,380            |
| Fund Balances                          |                  |                               |                            |                     |
| Restricted                             | -                | 1,512,612                     | -                          | 1,512,612           |
| Assigned                               | 6,701            | -                             | 60                         | 6,761               |
| Total Fund Balances                    | <u>6,701</u>     | <u>1,512,612</u>              | <u>60</u>                  | <u>1,519,373</u>    |
| TOTAL LIABILITIES<br>AND FUND BALANCES | <u>\$ 6,701</u>  | <u>\$ 1,521,992</u>           | <u>\$ 60</u>               | <u>\$ 1,528,753</u> |

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                      | BUILDING<br>FUND | CAPITAL<br>FACILITIES<br>FUND | SPECIAL<br>RESERVE<br>FUND | TOTAL        |
|------------------------------------------------------|------------------|-------------------------------|----------------------------|--------------|
| <u>REVENUES</u>                                      |                  |                               |                            |              |
| Other Local Revenues                                 | \$ 4,400         | \$ 1,443,774                  | \$ -                       | \$ 1,448,174 |
| <u>EXPENDITURES</u>                                  |                  |                               |                            |              |
| General Administration:                              |                  |                               |                            |              |
| All Other General Administration                     | -                | 27,716                        | -                          | 27,716       |
| Plant Services                                       | -                | 27,481                        | -                          | 27,481       |
| Facilities Acquisition and Construction              | -                | 148,579                       | -                          | 148,579      |
| Debt Service:                                        |                  |                               |                            |              |
| Principal                                            | -                | 78,646                        | -                          | 78,646       |
| Total Expenditures                                   | -                | 282,422                       | -                          | 282,422      |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | 4,400            | 1,161,352                     | -                          | 1,165,752    |
| <u>FUND BALANCES</u> - JULY 1, 2020                  | 2,301            | 351,260                       | 60                         | 353,621      |
| <u>FUND BALANCES</u> - JUNE 30, 2021                 | \$ 6,701         | \$ 1,512,612                  | \$ 60                      | \$ 1,519,373 |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
BOARD OF TRUSTEES AND ORGANIZATION  
 JUNE 30, 2021

BOARD OF TRUSTEES

| <u>MEMBER</u>     | <u>OFFICE</u> | <u>TERM<br/>EXPIRES</u> |
|-------------------|---------------|-------------------------|
| Mario Gutierrez   | President     | December 2022           |
| Jim Bender        | Clerk         | December 2022           |
| Robert Vincelette | Member        | December 2024           |
| Dewine Moore      | Member        | December 2024           |
| Vacant            | Member        |                         |

ADMINISTRATION

|                |                          |
|----------------|--------------------------|
| Barbara Gaines | Superintendent           |
| Leanne Hargus  | Associate Superintendent |
| Leslie Lacey   | Assistant Superintendent |
| Robert Irving  | Chief Business Officer   |

ORGANIZATION

The Southern Kern Unified School District was established in 1962. During the 2020/21 school year, the District operated two elementary schools, one middle school, one high school-WASC accredited, and two alternative education schools (continuation high school and independent study school) both WASC accredited. During the fiscal year 2020-21, there were no changes in the District's boundaries.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| <u>GRADE<br/>LEVEL</u> | <u>NUMBER OF<br/>DAYS<br/>TRADITIONAL<br/>CALENDAR</u> | <u>NUMBER OF<br/>DAYS<br/>MULTITRACK<br/>CALENDAR</u> | <u>CREDITED<br/>DAYS<br/>APPROVED ON<br/>FORM J-13A</u> | <u>TOTAL<br/>DAYS<br/>OFFERED</u> | <u>COMPLIED WITH<br/>INSTRUCTIONAL<br/>DAY<br/>PROVISION</u> |
|------------------------|--------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|
| Kindergarten           | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 1                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 2                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 3                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 4                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 5                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 6                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 7                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 8                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 9                      | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 10                     | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 11                     | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |
| 12                     | 180                                                    | N/A                                                   | N/A                                                     | 180                               | Yes                                                          |

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| <u>GENERAL FUND</u>                               | (BUDGET)<br>2022* | 2021          | 2020           | 2019           |
|---------------------------------------------------|-------------------|---------------|----------------|----------------|
| Revenues and Other Financial Sources              | \$ 48,667,113     | \$ 49,402,801 | \$ 44,759,227  | \$ 44,688,215  |
| Expenditures                                      | 46,596,230        | 42,137,967    | 40,760,180     | 42,824,839     |
| Other Uses and Transfers Out                      | -                 | -             | 192,202        | 1,917,815      |
| Total Outgo                                       | 46,596,230        | 42,137,967    | 40,952,382     | 44,742,654     |
| Change in Fund Balance                            | 2,070,883         | 7,264,834     | 3,806,845      | (54,439)       |
| Ending Fund Balance                               | \$ 9,634,135      | \$ 7,563,253  | \$ 298,419     | \$ (3,508,426) |
| Available Reserves                                | \$ 6,937,973      | \$ 5,680,185  | \$ (384,514)   | \$ (4,668,941) |
| Reserve for Economic Uncertainties                | \$ -              | \$ -          | \$ -           | \$ -           |
| Unassigned Fund Balance                           | \$ 6,937,973      | \$ 5,680,185  | \$ (384,514)   | \$ (4,668,941) |
| Available Reserves as a Percentage of Total Outgo | 14.89%            | 13.48%        | -0.94%         | -10.44%        |
| Total Long-Term Debt                              | N/A               | \$112,650,293 | \$ 114,230,878 | \$ 124,288,988 |
| Average Daily Attendance at P-2                   | 3,310             | 3,312**       | 3,312          | 3,336          |

The General Fund balance has increased by \$11,071,679 over the past two years. The fiscal year 2021-22 budget projects an increase of \$2,070,882. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, other uses and transfers out. Southern Kern Unified School District has met the State's minimum requirements.

Average daily attendance has decreased by 24 over the past two years. A decrease of 2 ADA is anticipated during fiscal year 2021-22.

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

\*\* Funding for fiscal year 2020-21 is based on 2019-20 ADA.

## SCHEDULE 4

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| FEDERAL GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM OR<br>CLUSTER TITLE                                 | ASSISTANCE<br>LISTING<br>NUMBER | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | CLUSTER<br>EXPENDITURES | FEDERAL<br>EXPENDITURES |
|-----------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------|-------------------------|-------------------------|
| <u>GENERAL FUND</u>                                                                                 |                                 |                                                 |                         |                         |
| U.S. Department of the Treasury:<br>Passed through the California Department<br>of Education (CDE): |                                 |                                                 |                         |                         |
| * Coronavirus Relief                                                                                | 21.019                          | 25516                                           |                         | \$ 3,139,067            |
| U.S. Department of Education<br>Passed through the California Department of Education (CDE):        |                                 |                                                 |                         |                         |
| Special Education, Local Assistance                                                                 | 84.027                          | 13379                                           |                         | 223,854                 |
| Title I, Part A, Basic Grant                                                                        | 84.010                          | 14329                                           |                         | 838,898                 |
| ESSA School Improvement (CSI)                                                                       | 84.010                          | 15438                                           |                         | 17,622                  |
| Title II, Supporting Effective Instruction                                                          | 84.367                          | 14341                                           |                         | 57,029                  |
| Title III, LEP                                                                                      | 84.365                          | 14346                                           |                         | 11,669                  |
| * Elementary and Secondary School Emergency Relief                                                  | 84.425                          | 15536                                           |                         | 295,457                 |
| Carl Perkins Vocational Education                                                                   | 84.048                          | 14894                                           |                         | 33,314                  |
| * Governor's Emergency Education Relief                                                             | 84.425C                         | 15517                                           |                         | 7,800                   |
| Total Department of Education                                                                       |                                 |                                                 |                         | 1,485,643               |
| U.S. Department of Health and Human Services:<br>Passed through CDE:                                |                                 |                                                 |                         |                         |
| Medi-Cal Cluster:                                                                                   |                                 |                                                 |                         |                         |
| Medi-Cal Billing Option                                                                             | 93.778                          | 10013                                           | 44,336                  |                         |
| Medi-Cal Administrative Activities                                                                  | 93.778                          | 10060                                           | 168,598                 |                         |
| Total Department of Health and Human Services                                                       |                                 |                                                 |                         | 212,934                 |
| Total General Fund                                                                                  |                                 |                                                 |                         | 4,837,644               |
| <u>CAFETERIA FUND</u>                                                                               |                                 |                                                 |                         |                         |
| U.S. Department of Agriculture:<br>Passed through CDE:                                              |                                 |                                                 |                         |                         |
| Child Nutrition Cluster:                                                                            |                                 |                                                 |                         |                         |
| National School Lunch                                                                               | 10.555                          | 13391, 13396                                    | \$ 940,988              |                         |
| Basic Breakfast                                                                                     | 10.553                          | 13390                                           | 18,235                  |                         |
| Especially Needy Breakfast                                                                          | 10.553                          | 13326                                           | 423,359                 |                         |
| Meal Supplements                                                                                    | 10.555                          | 13391                                           | 108,833                 |                         |
| Total Child Nutrition Cluster                                                                       |                                 |                                                 |                         | 1,491,415               |
| Donated Food Commodities                                                                            | 10.565                          | UNK                                             |                         | 80,682                  |
| Child and Adult Care Food                                                                           | 10.558                          | 13529, 13534                                    |                         | 416,978                 |
| Total Department of Agriculture                                                                     |                                 |                                                 |                         | 1,989,075               |
| Total Federal Expenditures                                                                          |                                 |                                                 |                         | \$ 6,826,719            |
| * Major Program                                                                                     |                                 |                                                 |                         |                         |

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM  
WITH AUDITED FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|                                                                         | GENERAL<br>FUND            | CAFETERIA<br>FUND        | DEFERRED<br>MAINTENANCE<br>FUND | SPECIAL<br>RESERVE<br>FUND<br>(OTHER) | COUNTY<br>SCHOOL<br>FACILITIES<br>FUND |
|-------------------------------------------------------------------------|----------------------------|--------------------------|---------------------------------|---------------------------------------|----------------------------------------|
| June 30, 2021, Annual Financial and<br>Budget Report Form Fund Balances | <u>\$ 7,563,253</u>        | <u>\$ 739,428</u>        | <u>\$ 1,711</u>                 | <u>\$ 496</u>                         | <u>\$ 4,298,547</u>                    |
| <u>Adjustments and Reclassifications</u>                                |                            |                          |                                 |                                       |                                        |
| (Increase) Decrease Accounts Payable for:                               |                            |                          |                                 |                                       |                                        |
| Food Service                                                            | -                          | 48,489                   | -                               | -                                     | -                                      |
| Kindergarten Project                                                    | -                          | -                        | -                               | -                                     | (81,071)                               |
| Increase (Decrease) Fund Balance for:                                   |                            |                          |                                 |                                       |                                        |
| GASB 54 Reporting Requirement                                           | <u>2,207</u>               | <u>-</u>                 | <u>(1,711)</u>                  | <u>(496)</u>                          | <u>-</u>                               |
| June 30, 2021, Audited Financial<br>Statements Fund Balances            | <u><u>\$ 7,565,460</u></u> | <u><u>\$ 787,917</u></u> | <u><u>\$ -</u></u>              | <u><u>\$ -</u></u>                    | <u><u>\$ 4,217,476</u></u>             |

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

1. PURPOSE OF SCHEDULES

A. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the incentives for Longer Instructional Day. The District has not met or exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

B. 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.

The Board of Trustees and Superintendent continue to work with staff to improve fiscal position. The District's goal is to balance the budget and eliminate a history of deficit spending, strengthen ending balances over time, and avoid the need to use one-time money to support on-going expenditures.

The District has and will continue to work towards fiscal stability through monitoring position control and not utilizing one-time funds for on-going expenses. The district will continue to work with consultants to identify and reduce expenses from unnecessary contracts. Funds received for COVID-19 will be utilized as one-time only with consideration paid to their expiration date.

C. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Uniform Guidance requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with the Uniform Guidance. The District did not elect to use the 10 percent de minimis indirect cost rate.

D. 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 liability balance of the general long-term debt as reported on the Annual Form to the audited financial statements.



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Jeanette L. Garcia,  
CPA

### 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, 2021, and the related notes to the financial statements, which collectively comprise Southern Kern Unified School District's basic financial statements, and have issued our report thereon dated January 28, 2022, which includes an Emphasis of Matter paragraph describing an uncertainty about the District's ability to continue as a going concern.

#### **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) as a basis for designing 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 January 28, 2022.

Member:

American  
Institute of  
Certified Public  
Accountants

California  
Society of  
Certified Public  
Accountants

## **Compliance and Other Matters**

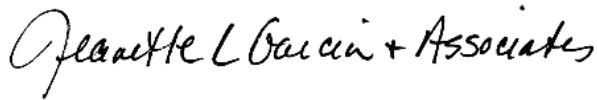
As part of obtaining reasonable assurance about whether Southern Kern Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings and questioned costs as Findings 2021-001 and 2021-002.

## **Southern Kern Unified School District's Response to Findings**

Southern Kern Unified School District's response to the findings identified in our audit is described in the accompanying schedule of audit findings and questioned costs. Southern Kern Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of 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.



San Bernardino, California  
January 28, 2022



Jeanette L. Garcia,  
CPA

Member:  
  
American  
Institute of  
Certified Public  
Accountants

California  
Society of  
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### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

#### 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 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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, 2021.

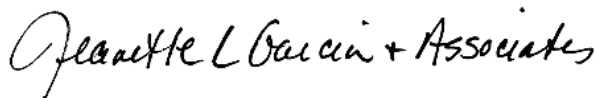
## Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Kern Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Bernardino, California  
January 28, 2022



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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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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, 2021.

### ***Management's Responsibility for State Compliance***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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:

|                                                             |                                                      | Procedures<br>Performed |
|-------------------------------------------------------------|------------------------------------------------------|-------------------------|
| Member:                                                     | Local Education Agencies Other Than Charter Schools: |                         |
|                                                             | Attendance and Distance Learning                     | Yes                     |
| American<br>Institute of<br>Certified Public<br>Accountants | Teacher Certification and Misassignments             | Yes                     |
|                                                             | Kindergarten Continuance                             | Yes                     |
|                                                             | Instructional Time                                   | Yes                     |
|                                                             | Instructional Materials                              | Yes                     |
|                                                             |                                                      |                         |
| California<br>Society of<br>Certified Public<br>Accountants |                                                      |                         |
|                                                             |                                                      |                         |

|                                                                      | Procedures<br>Performed |
|----------------------------------------------------------------------|-------------------------|
| Ratio of Administrative Employees to Teachers                        | Yes                     |
| Classroom Teacher Salaries                                           | Yes                     |
| Early Retirement Incentive                                           | Not Applicable          |
| Gann Limit Calculation                                               | Yes                     |
| School Accountability Report Card                                    | Yes                     |
| K-3 Grade Span Adjustment                                            | Yes                     |
| Apprenticeship: Related and Supplemental Instruction                 | Not Applicable          |
| Comprehensive School Safety Plan                                     | Yes                     |
| District of Choice                                                   | Not Applicable          |
| School Districts, County Offices of Education, and Charter Schools:  |                         |
| California Clean Energy Jobs Act                                     | Yes                     |
| Proper Expenditure of Education Protection Account Funds             | Yes                     |
| Unduplicated Local Control Funding Formula Pupil Counts              | Yes                     |
| Charter Schools:                                                     |                         |
| Independent Study-Coursed Based                                      | Not Applicable          |
| Attendance                                                           | Not Applicable          |
| Mode of Instruction                                                  | Not Applicable          |
| Nonclassroom-Based Instruction/Independent Study for Charter Schools | Not Applicable          |
| Determination of Funding for Nonclassroom-Based Instruction          | Not Applicable          |
| Charter School Facility Grant Program                                | Not Applicable          |

### 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, 2021.

### Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements referred to on the previous page, which are required to be reported in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which are described in the accompanying schedule of audit findings and questioned costs as Finding 2021-001 and Finding 2021-002. Our opinion is not modified with respect to matters identified.

Southern Kern Unified School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of audit findings and questioned costs. Southern Kern Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### Purpose of This Report

The purpose of this report on state compliance is solely to describe the scope and results of testing based on the requirements of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

*Jeannette L. Garcia + Associates*

San Bernardino, California  
January 28, 2022

## Findings and Recommendations

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**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?    | _____ Yes | _____ <input checked="" type="checkbox"/> No            |  |
| Significant deficiencies identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported |  |

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ ☒ No

Federal Awards

Internal control over major programs:

|                                      |           |                                                         |  |
|--------------------------------------|-----------|---------------------------------------------------------|--|
| Material weakness(es) identified?    | _____ Yes | _____ <input checked="" type="checkbox"/> No            |  |
| Significant deficiencies identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported |  |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR, Part 200, Section 200.516 Audit Findings paragraph (a)? \_\_\_\_\_ Yes \_\_\_\_\_ ☒ No

Identification of major programs:

CFDA Number(s)

84.425  
 84.425  
 84.425C  
 21.019

Name of Federal Program or Cluster

Elementary and Secondary School Emergency Relief  
 Elementary and Secondary School Emergency Relief II  
 Governor's Emergency Education Relief  
 Coronavirus Relief

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ ☒ Yes \_\_\_\_\_ No

State Awards

Internal control over state programs:

|                                      |                                               |                                              |  |
|--------------------------------------|-----------------------------------------------|----------------------------------------------|--|
| Material weakness(es) identified?    | _____ Yes                                     | _____ <input checked="" type="checkbox"/> No |  |
| Significant deficiencies identified? | _____ <input checked="" type="checkbox"/> Yes | _____ None Reported                          |  |

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ ☒ 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, 2021

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

**Section IV – State Award Findings and Questioned Costs**

FINDING 2021-001  
Code 10000  
Kindergarten Continuance

This is a repeat of Finding 2020-003.

Criteria: Education Code Section 46300(g) allows a school district to include in its average daily attendance kindergarten pupils who have already completed one school year in kindergarten only if the school has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the CDE and signed by the pupil's parent or guardian near the anniversary date of the pupil's kindergarten attendance.

Condition: We noted that two out of six kindergarten continuance forms were not filled out properly.

Questioned Costs: Not applicable.

Context: We tested all retained kindergarten pupils at Rosamond Elementary School and one out of three kindergarten students tested did not have the proper continuance form on file.

Effect: The District is out of compliance with kindergarten continuance requirements.

Cause: Unknown

Recommendation: All retained kindergarten students must have a properly filled out continuance form on file.

Views of Responsible Officials and Planned Corrective Actions: A review of retention forms and additional training will be provided to office staff at the school sites by the District Office.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINDING 2021-002  
Code 72000  
State Accountability Report Card (SARC)

This is a repeat of Finding 2020-004.

Criteria: State law requires that the SARC include an assessment of a school's safety, cleanliness, and the adequacy of school facilities, including any needed maintenance to ensure good repair, in accordance with Section 33126(b)(8) of the Education Code. Education Code 33126(b)(6) also states that the SARC will include information on the quality and currency of textbooks and other instructional materials along with the availability of these materials for each pupil.

Condition: In the SARC for Tropico Middle School, the School Facility Good Repair Status under External is listed as Fair repair status. Per the Facility Inspection Tool and the District, it should be listed as Good repair status.

Questioned Costs: Not applicable.

Context: We tested School Accountability Report Cards for Rosamond Elementary, Tropico Middle School and Rosamond High School.

Effect: The School Accountability Report Cards for Tropico Middle School is inconsistent with District data and appear to be inaccurate.

Cause: Unknown

Recommendation: Due care should be taken when presenting information in the School Accountability Report Card.

Views of Responsible Officials and Planned Corrective Actions: Training and guidance for reviewing and verifying the information on the School Accountability Report Card will be done with school site administrators. School Accountability Report Cards will be reviewed by the Assistant Superintendent of Educational Services.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Prior Year Findings and Recommendations:**

FINDING 2020-001  
Code 30000  
Financial Stability

This is a repeat of Finding 2019-001.

Criteria: According to FCMAT's *Indicators of Risk or Potential Insolvency*, "identifying issues early is the key to maintaining fiscal health. Diligent multiyear planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency.

Condition: The District has made significant progress toward fiscal stability. However, the audit noted several conditions that in aggregate could affect the District's financial stability and, possibly, its ability to continue as a going concern. The conditions are noted below:

Reserve Requirement

For a District the size of Southern Kern Unified School District, the State recommends available reserves of at least 3% of total General Fund expenditures, other uses and transfers out. The District's available reserves decreased from 8.80% in 2014 to -10.44% in 2019. The available reserves at June 30, 2020 increased to -0.94%, but this is still below the 3% requirement. The fiscal year 2020 budget includes available reserves of 3.60%.

Long-Term Debt

As a result of implementing GASB Statements 75 and 68, the District is reporting significant unfunded liabilities for postemployment benefits other than pensions (OPEB) and its proportionate share of the CalPERS and CalSTRS Net Pension Liabilities. The combined total of these liabilities is \$56,955,258.

Turnover

The District has had significant turnover in the business office, which has resulted in the District employing six Chief Business Officers in the past seven years. A new Superintendent was hired in June 2019, the third person in this position in three years.

Questioned Costs: Not applicable.

Context: Not applicable.

Effect: The District's financial stability is at risk.

Cause: Unknown.

Recommendation: The District must continue to monitor its budgets to stop the trend of deficit spending. Cash flow must be closely monitored to avoid the need for interfund borrowing. Due to the recent additions in the business office, the District may want to consider additional staff development to strengthen their knowledge and capabilities.

The continuation of the District as a going concern is dependent upon the District's successful resolution of the above noted conditions.

**Status: Implemented.**

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINDING 2020-002  
Code 10000  
Attendance Reporting

This is a repeat of Finding 2019-003.

Criteria: LEAs are responsible for maintaining accurate and adequate attendance records to support the attendance reported to the State as per Education Code Section 44809 and Title 5, CCR, Sections 401 and 421.

Condition: We reviewed the District's Second Period Report of Attendance (P-2) and the District's Annual Report of Attendance and supporting documentation for each report and discovered a formula error. As a result of the error, ADA was understated at P-2 and Annual by 6.94 ADA.

Questioned Costs: Not applicable.

Context: We reviewed the supporting documentation used to complete the Second Period Report of Attendance and discovered the formula error during our review.

Effect: The District will need to revise their Second Period and Annual Reports of Attendance to reflect the corrected ADA amounts. The result was a gain of 6.94 ADA. Due to declining enrollment, there is no effect on current year LCFF funding.

Cause: Unknown.

Recommendation: The District should and has revised its Second Period and Annual Reports of Attendance to reflect the corrections noted. Further, the District should use greater care when preparing the supporting documents to ensure that data is accurate and formulas are properly entered in spreadsheets. Someone other than the attendance clerk should review the compiled attendance data to further ensure reporting accuracy.

**Status: Due to Distance Learning, attendance reports were not submitted in 2020/21. We will follow up on this finding in 2021/22.**

FINDING 2020-003  
Code 10000  
Kindergarten Continuance

This is a repeat of Finding 2019-004

Criteria: Education Code Section 46300(g) allows a school district to include in its average daily attendance kindergarten pupils who have already completed one school year in kindergarten only if the school has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the CDE and signed by the pupil's parent or guardian near the anniversary date of the pupil's kindergarten attendance.

Condition: We noted that two out of six kindergarten continuance forms were not filled out properly.

Questioned Costs: Not applicable.

Context: We tested all retained kindergarten pupils at Westpark Elementary School and two out of six kindergarten students tested had kindergarten continuance forms that were incorrectly filled out.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Effect: The District cannot claim ADA for these pupils. The District's P-2 and Annual Reports are overstated by 1.93 ADA. Due to declining enrollment, there is no effect on current year LCFF funding.

Cause: Unknown

Recommendation: The District should revise their P-2 and Annual Reports of Attendance, disallowing the 1.93 ADA claimed for the kindergarten students. All retained kindergarten students must have a properly filled out continuance form on file.

**Status: Not Implemented. See Finding 2021-001.**

FINDING 2020-004  
Code 72000  
State Accountability Report Card (SARC)

Criteria: State law requires that the SARC include an assessment of a school's safety, cleanliness, and the adequacy of school facilities, including any needed maintenance to ensure good repair, in accordance with Section 33126(b)(8) of the Education Code. Education Code 33126(b)(6) also states that the SARC will include information on the quality and currency of textbooks and other instructional materials along with the availability of these materials for each pupil.

Condition: We noted the following regarding the District's SARC reports:

1. The FIT report for Rare Earth High School did not agree with the SARC with regards to the condition of restrooms/fountains. Per the District, the FIT report is correct.
2. The SARCs for Tropico Middle School, Rosamond High School, Rare Earth High School and Abraham Lincoln Alternative School contained erroneous data with regards to instructional materials. Some of them listed incorrect public hearing dates and others included out of date textbook information.

Questioned Costs: Not applicable.

Context: We tested School Accountability Report Cards for Westpark Elementary, Tropico Middle School, Rosamond High School, Rare Earth High School and Abraham Lincoln Alternative School.

Effect: The School Accountability Report Cards are inconsistent with District data and appear to be inaccurate.

Cause: Unknown

Recommendation: Due care should be taken when presenting information in the School Accountability Report Card.

**Status: Not Implemented. See Finding 2021-002.**



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Jeanette L. Garcia,  
CPA

To the Governing Board  
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 Southern Kern Unified School District, for the year ended June 30, 2021, 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 February 18, 2021. The Findings and Recommendations section of the audit report dated February 18, 2021, contains certain reportable conditions in the District's internal control over financial reporting. This letter does not affect our report dated January 28, 2022 on the financial statements of Southern Kern Unified School District.

### Cafeteria Deposits

Monies collected by the school sites were not turned over to the Business Office for deposit in a timely manner. They remained in the food services office for up to two months. The food service office should take the monies collected to the business office in a more timely manner, but not less than weekly.

We will review the status of this recommendation during our next audit engagement. We have discussed this comment and suggestion with various District personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the management, Board of Education, Kern County Office of Education, 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.

San Bernardino, California  
January 28, 2022

Member:  
  
American  
Institute of  
Certified Public  
Accountants

California  
Society of  
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Accountants