



Financial Statements
June 30, 2021

Inyo-Kern Schools Financing Authority

BOARD OF DIRECTORS

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Independent Auditor's Report

The Board of Directors
Inyo-Kern Schools Financing Authority
Ridgecrest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Inyo-Kern Schools Financing Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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 Authority'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 and major funds of the Inyo-Kern Schools Financing Authority as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis and budgetary comparison information that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of Inyo-Kern Schools Financing Authority'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 Inyo-Kern Schools Financing Authority'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 Inyo-Kern Schools Financing Authority's internal control over financial reporting and compliance.



Rancho Cucamonga, California
January 31, 2022

Inyo-Kern Schools Financing Authority
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Investments	\$ 1,089,037
Receivables	<u>871,501</u>
Total assets	<u>1,960,538</u>
Liabilities	
Interest payable	9,057
Long-term liabilities	
Current portion of long-term liabilities	202,996
Noncurrent portion of long-term liabilities	<u>2,080,293</u>
Total long-term liabilities	<u>2,283,289</u>
Total liabilities	<u>2,292,346</u>
Net Position	
Restricted for	
Educational purposes	1,960,538
Unrestricted (deficit)	<u>(2,292,346)</u>
Total net position (deficit)	<u><u>\$ (331,808)</u></u>

Inyo-Kern Schools Financing Authority
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue <u>Charges for Services</u>	Net Governmental Activities
Governmental Activities			
General administration			
All other general administration	\$ 80,500	\$ 1,206,675	\$ 1,126,175
Interest on long-term liabilities	<u>58,313</u>	<u>-</u>	<u>(58,313)</u>
Total governmental activities	<u>\$ 138,813</u>	<u>\$ 1,206,675</u>	<u>1,067,862</u>
General Revenues			
Interagency revenues			259,285
Interest and investment earnings			<u>11,947</u>
Total general revenues			<u>271,232</u>
Change in Net Position			1,339,094
Net Position (Deficit) - Beginning			<u>(1,670,902)</u>
Net Position (Deficit) - Ending			<u>\$ (331,808)</u>

Inyo-Kern Schools Financing Authority
Balance Sheet – Governmental Funds
Year Ended June 30, 2021

	<u>General Fund</u>
Assets	
Investments	\$ 1,089,037
Receivables	<u>871,501</u>
Total assets	<u>\$ 1,960,538</u>
Fund Balance	
Restricted for educational purposes	<u>\$ 1,960,538</u>

Inyo-Kern Schools Financing Authority
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2021

Total Fund Balance - Governmental Funds	\$ 1,960,538
Amounts reported for governmental activities in the Statement of Net Position are different because	
In governmental funds, unmatured interest on long-term liabilities are recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.	
	(9,057)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following	
Lease Revenue Refunding Bonds	<u>(2,283,289)</u>
Total net position (deficit) - governmental activities	<u>\$ (331,808)</u>

Inyo-Kern Schools Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Lease payments from member districts	\$ 1,206,675	\$ -	\$ 1,206,675
Investment earnings	11,947	-	11,947
Other local sources	-	259,285	259,285
	<u>1,218,622</u>	<u>259,285</u>	<u>1,477,907</u>
Expenditures			
Current			
Other outgo	80,500	-	80,500
Debt service			
Principal	-	200,178	200,178
Interest and other	-	59,107	59,107
	<u>80,500</u>	<u>259,285</u>	<u>339,785</u>
Net Change in Fund Balance	1,138,122	-	1,138,122
Fund Balance - Beginning	<u>822,416</u>	<u>-</u>	<u>822,416</u>
Fund Balance - Ending	<u>\$ 1,960,538</u>	<u>\$ -</u>	<u>\$ 1,960,538</u>

Inyo-Kern Schools Financing Authority

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balance - Governmental Funds \$ 1,138,122

Amounts reported for governmental activities in the Statement of Activities are different because

Repayment of long-term liabilities principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities

Lease Revenue Refunding Bonds 200,178

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on the Lease Revenue Refunding Bonds decreased by this amount.

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Change in net position of governmental activities \$ 1,339,094

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Authority was formed by a joint exercise powers agreement dated December 3, 1990, between the Sierra Sands Unified School Authority (Sierra Sands) and the Lone Pine Unified School District (Lone Pine). The purpose of the Authority is to provide assistance for the educational purposes of Sierra Sands and Lone Pine. The Authority is a public entity separate and distinct from each of its participant districts.

The Authority is administered by a Board of Directors consisting of all the persons who act as the members of the Board of Education of Sierra Sands, together with one member of the Board of Education of Lone Pine as may be designated by such Board. The Board of Directors has decision-making authority, the power to designate management, the ability to influence operations and primary accountability for fiscal matters. While the Authority is a separate entity, it has a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* for inclusion of the Authority as a Component Unit of Sierra Sands Unified School District. The Authority also issues these separate financial statements.

Sierra Sands and Lone Pine have reorganized by the transfer of certain land from the territory of Sierra Sands to the territory of Lone Pine. In consideration of the mutual undertaking of the reorganization, Lone Pine conveyed to the Authority fee title to certain land together with buildings, facilities and improvements situated thereon, which are currently not used or needed for classroom buildings. Such real property is leased by the Authority to Lone Pine pursuant to the Lease Agreement dated December 3, 1990. The Lease Agreement became effective for the fiscal year ended June 30, 1992.

The value of the real property conveyed to the Authority from the Lone Pine Unified School District was not determinable at June 30, 2021. The value of the real property was not determinable, as governmental property in Inyo County is not assessed.

Basis of Presentation - Funding Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Authority's funds are identified as governmental funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Authority's major governmental funds:

General Fund The General Fund is the chief operating fund. It is used to account for the ordinary operations of the Authority. All transactions except those accounted for in another fund are accounted for in this fund.

Debt Service Fund The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on long-term liabilities.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which is different from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the Authority and for each governmental function. 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 the goods or services offered by the program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. There are no non-major funds. The Authority has two funds of which both are considered a major governmental fund.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues - Exchange and Non-Exchange Transactions On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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. Generally, available is defined as collectible within 90 days.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include the payments received from member districts. Revenue from these payments are recognized in the fiscal year in which the payments are earned.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligation, which has not matured, are recognized when paid in the governmental funds.

Investments

Investments held at June 30, 2021, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the funds.

Lease Revenue Refunding Bonds are recognized as a liability on the fund financial statements when due.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

The net position represents the difference between assets and liabilities. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Enabling legislation relates to laws passed that create revenue sources to be used for specific purposes. The government-wide financial statements report \$1,960,538 of restricted net position.

Budgets and Budgetary Accounting

The Authority has not established budgets or budgetary information for the fiscal year ended June 30, 2021.

Income Taxes

The Authority's income is exempt from Federal and State income taxes under Internal Revenue Code Section 115 and the corresponding section of the California Revenue and Taxation Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Investments**Summary of Investments**

Investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$ 1,089,037</u>
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Investments as of June 30, 2021, consist of deposits with the Kern County Investment Pool.

Policies and Practices

The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority manages its exposure to interest rate risk by investing in the Kern County Treasury Investment Pool. As of June 30, 2021, the weighted average maturity of the investments contained in the Kern County Treasury Investment Pool was 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment in the Kern County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2021.

Note 3 - Receivables

Receivables at June 30, 2021, consist of the following:

Local Sources		
Due from Lone Pine USD	\$	868,787
Interest		<u>2,714</u>
Total	\$	<u><u>871,501</u></u>

Note 4 - Fund Balance

Fund balance is composed of the following elements:

		<u>General Fund</u>
Restricted	\$	<u><u>1,960,538</u></u>

Note 5 - Long-Term Liabilities**2017 Lease Revenue Refunding Bonds (Private Placement)**

On October 5, 2017, the Inyo-Kern Schools Financing Authority (the Authority), pursuant to a lease agreement with the Sierra Sands Unified School District (the District), issued \$3,087,684 in 2017 Lease Revenue Refunding Bonds. The District and the Authority, in order to facilitate the financing of the project, entered into a lease agreement by which the District will lease to the Authority those certain parcels of real property located within the District and pursuant to a sublease, the Authority will sublease the property to the District, with the District required to pay base rental to the Authority as payment for the bonds. The bonds have a final maturity date of May 1, 2031, with an interest rate of 2.38%. Proceeds from the bonds were used to refinance all of the prior Lease Revenue Bonds, Series 2007, which were previously issued to finance the acquisition and construction of designated school facilities. The refunding resulted in a cumulative cash flow savings of \$471,945 over the life of the new debt and an economic gain of \$404,214, based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.38%. At June 30, 2021, the principal balance outstanding was \$2,283,289.

Debt Service Requirements to Maturity

The bonds mature through 2031, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 202,996	\$ 54,342	\$ 257,338
2023	210,128	49,511	259,639
2024	216,730	44,510	261,240
2025	218,695	39,352	258,047
2026	224,944	34,147	259,091
2027-2031	1,209,796	87,653	1,297,449
Total	\$ 2,283,289	\$ 309,515	\$ 2,592,804

Note 6 - Commitments and Contingencies

Litigation

The Authority is not currently a party to any legal proceedings.

Note 7 - Management's Discussion and Analysis

Management's Discussion and Analysis is a required part of the basic financial statements. Management's Discussion and Analysis is omitted because Inyo-Kern Schools Financing Authority is reported in a consolidated format with the Sierra Sands Unified School District. The Management's Discussion and Analysis as it relates to the Inyo-Kern Schools Financing Authority can be found in the Sierra Sands Unified School District basic financial statements audit report.



Independent Auditor's Report
June 30, 2021

Inyo-Kern Schools Financing Authority



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Inyo-Kern Schools Financing Authority
Ridgecrest, California

We have audited, 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, the financial statements of the governmental activities and each major fund of Inyo-Kern Schools Financing Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Inyo-Kern Schools Financing Authority's basic financial statements and have issued our report thereon date January 31, 2022.

Management has omitted the management's discussion and analysis and budgetary comparison information that the accounting principles generally accepted in the United States of America requires to 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. Our opinion on the basic financial statements is not affected by the missing information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Inyo-Kern Schools Financing Authority'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 Inyo-Kern Schools Financing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Inyo-Kern Schools Financing Authority'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inyo-Kern Schools Financing Authority'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 31, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Inyo-Kern Schools Financing Authority

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.