

SIERRA SANDS UNIFIED SCHOOL DISTRICT

**COUNTY OF KERN
RIDGECREST, CALIFORNIA**

**AUDIT REPORT
JUNE 30, 2016**

**BURKEY COX EVANS & BRADFORD
Accountancy Corporation
1058 West Avenue M-14, Suite B
Palmdale, CA 93551**

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JUNE 30, 2016

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, 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 Sierra Sands Unified School District (the District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 Sierra Sands Unified School District, as of June 30, 2016, 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.

Sierra Sands Unified School District
Page 2

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 72, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 79, *Investment Pools*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Sierra Sands Unified School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel and is also not a required part of the basic financial statements.

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Page 3

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards 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 and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sierra Sands Unified School District's internal control over financial reporting and compliance.

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 13, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS – REQUIRED SUPPLEMENTARY
INFORMATION**

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

This section of the Sierra Sands Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position on June 30, 2016 was \$39,310,073 compared to \$29,935,352 on June 30, 2015.
- The District's total revenues in 2015-16 were \$65,102,705 compared to \$53,210,204 in 2014-15.
- The District's total expenses in 2015-16 were \$55,727,984 compared to \$54,773,173 in 2014-15.
- The general fund reported a balance on June 30, 2016 of \$17,416,609 compared to an ending balance of \$13,835,177 on June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide (a.k.a. government-wide) financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The governmental funds statements tell how basic services like general and special education were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Figure A-1: Required Components of the District's Annual Financial Report

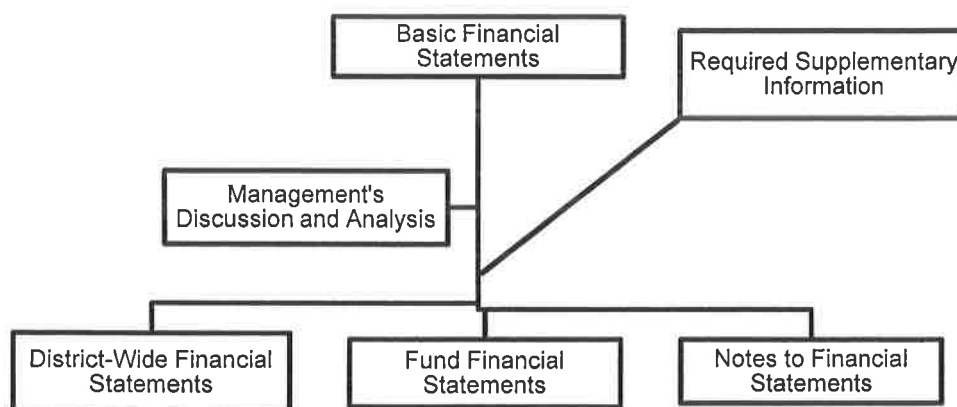


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Figure A-2: Major Features of the District's District-Wide and Fund Financial Statements

	District-Wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary activities)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District is the trustee or agent for resources belonging to others, such as student body monies
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in fund Balance	N/A
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the required liability is due and payable.	N/A

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using an accrual basis of accounting and economic resources measurement focus. Consequently, the statement of net position includes all of the District's assets and liabilities, as well as deferred inflows and outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – essentially the difference between the District's assets and liabilities – is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess overall health of the District, additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are grouped in the following category:

- **Governmental activities** – Most of the District's basic services are included here, such as general education, special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its debts) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in the governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental fund statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee or agent (the fiduciary) for assets that belong to others, such as the student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

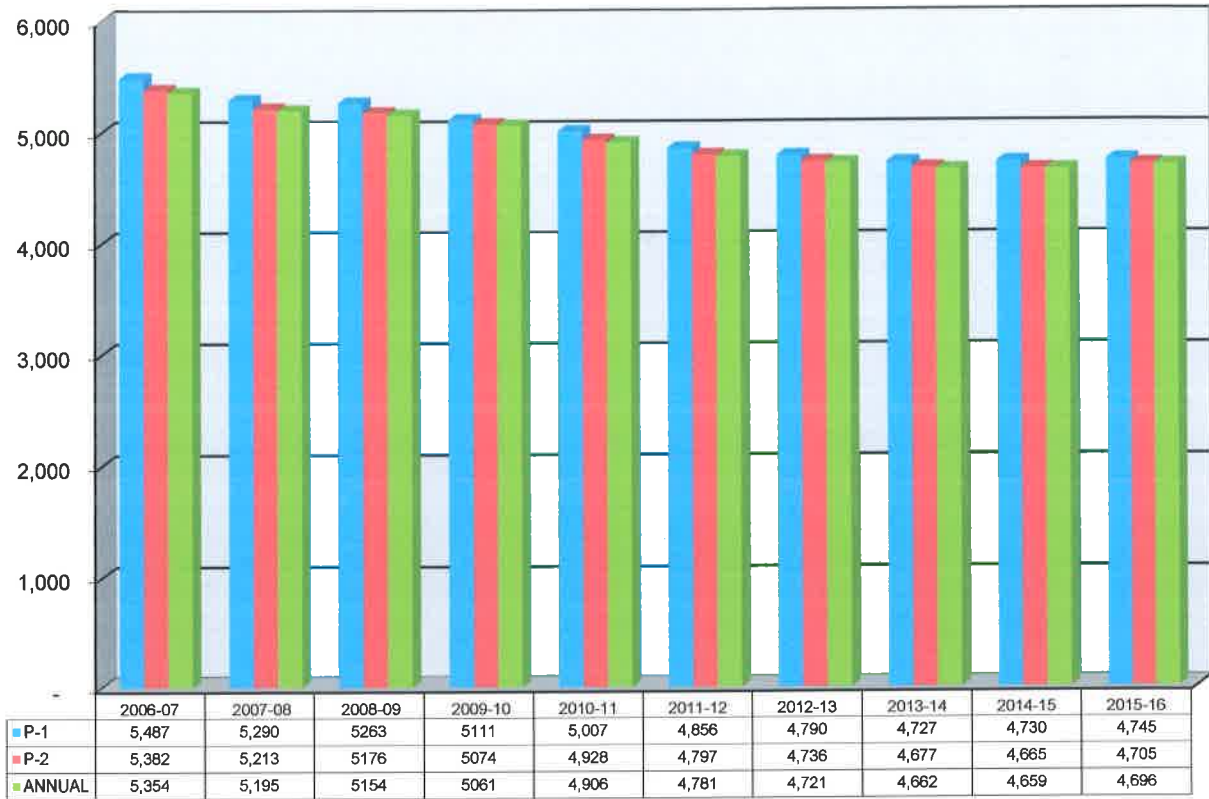
In 2015-16 the District continued its construction efforts of the BHS modernization project and the building of the new Murray Middle School. These projects are made possible through grants from the Department of Defense – Office of Economic Adjustments, which will fund 80% of the cost of each project with the district funding the remaining 20%. Projects are anticipated to be completed in summer and fall of 2017, respectively.

Average Daily Attendance

For the first time in ten years, total Average Daily Attendance (ADA) increased from the prior year. ADA at P-2 in 2015-16 was 4705 compared to 4665 ADA at P-2 in 2014-15 and 4677 ADA at P-2 in 2013-14. Figure A-3 displays the District's average daily attendance history since fiscal year 2006/2007.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Average Daily Attendance History



Net Position

The District's total net position was more (31.3%) on June 30, 2016 than it was the year before increasing by approximately \$9.3M (See Table A-1). The year to year differences are primarily reflective of the District's initiatives relating to its facilities program.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Table A-1: Condensed Statements of Net Position

	June 30, 2016	June 30, 2015	Change	Percentage Change
Assets:				
Current Assets	\$ 46,051,857	\$ 38,558,199	\$ 7,493,658	19.4%
Capital Assets	85,438,655	80,916,535	4,522,120	5.6%
Total Assets	131,490,512	119,474,734	12,015,778	10.1%
Deferred Outflows of Resources:				
Pension	20,954,388	1,470,992	19,483,396	1324.5%
Total Assets and Deferred Outflows	\$ 152,444,900	\$ 120,945,726	\$ 31,499,174	26.0%
Liabilities:				
Current Liabilities	\$ 7,835,941	\$ 5,004,396	\$ 2,831,545	56.6%
Long-term Liabilities	82,465,851	77,882,963	4,582,888	5.9%
Total Liabilities	90,301,792	82,887,359	7,414,433	8.9%
Deferred Inflows of Resources:				
Unearned Revenues	221,743	146,015	75,728	-
Pension	22,611,292	7,977,000	14,634,292	-
Total Deferred Inflows	22,833,035	8,123,015	14,710,020	-
Net Position:				
Net Investment in Capital Assets	45,447,823	39,696,933	5,750,890	14.5%
Restricted	10,053,756	8,093,907	1,959,849	24.2%
Unrestricted	(16,191,506)	(17,855,488)	1,663,982	-9.3%
Total Net Position	39,310,073	29,935,352	9,374,721	31.3%
Total Liabilities and Net Position	\$ 152,444,900	\$ 120,945,726	\$ 31,499,174	26.0%

Changes in Net Position

The District's total revenues increased by 22.4% (See Table A-2) and reflect the new GASB reporting requirements. The District's total expenditures increased by 1.7% (See Table A-2). The District's expenses are predominantly related to instruction, instruction related services, and pupil services (77%) (See Figure A-5).

Table A-2: Condensed Statements of Activities

	June 30, 2016	June 30, 2015	Change	Percentage Change
Revenues:				
Program Revenues	\$ 14,290,455	\$ 10,682,515	\$ 3,607,940	33.8%
Charges for Services	789,268	559,095	230,173	41.2%
General Revenue	50,022,982	41,968,594	8,054,388	19.2%
Total Revenues	65,102,705	53,210,204	11,892,501	22.4%
Expenditures:				
Expenditures	55,727,984	54,773,173	954,811	1.7%
Total Expenditures	55,727,984	54,773,173	954,811	1.7%
Change in Net Position	\$ 9,374,721	\$ (1,562,969)	\$ 10,937,690	-699.8%

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Figure A-4: Revenues for Fiscal Year 2016

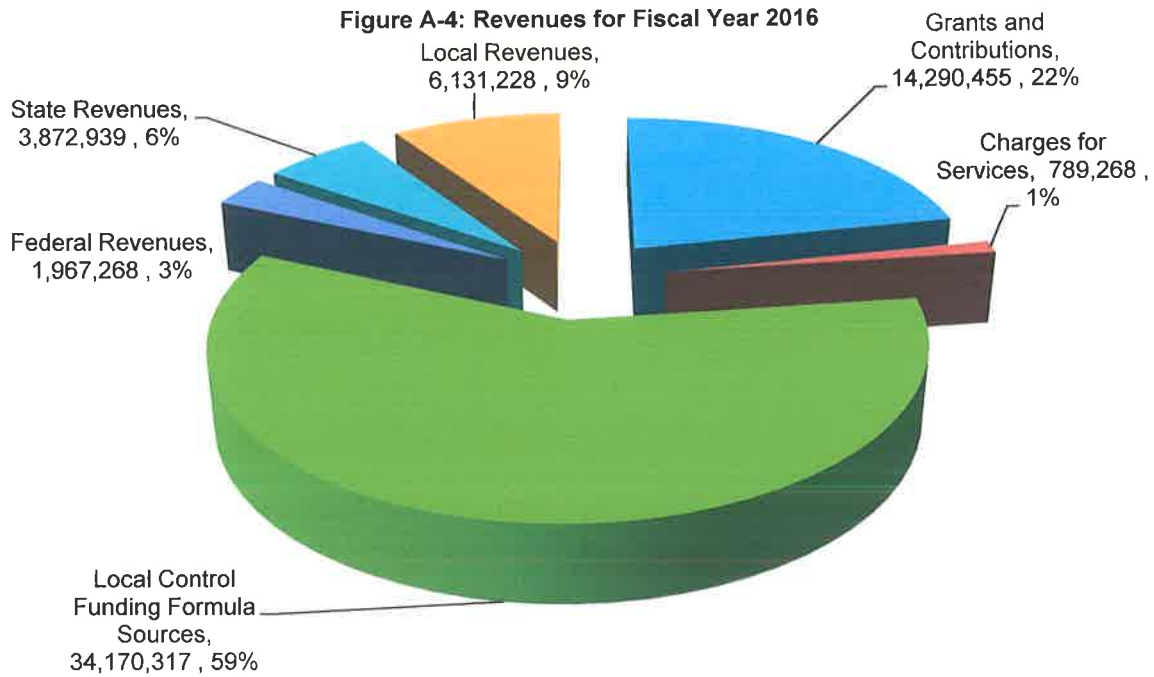
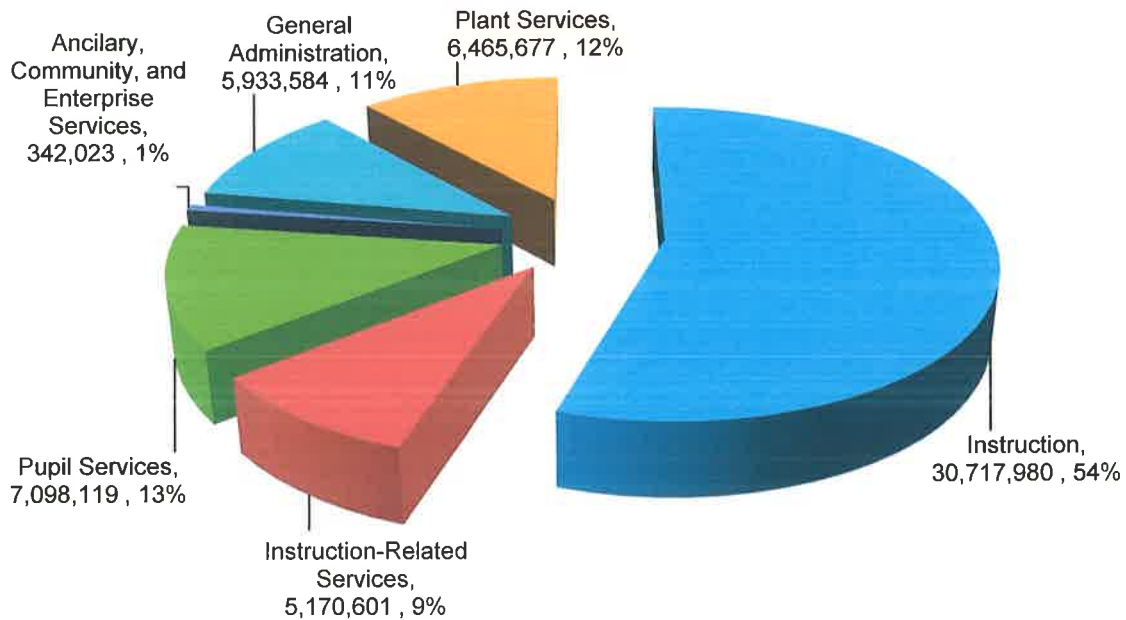


Figure A-5: Expenses for Fiscal Year 2016



**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental Activities

The cost of all governmental activities this year was \$55,727,984 (See Table A-2). Some of the costs were paid by the users of the District's programs (\$789,268). Certain programs were subsidized by operating grants/contributions (\$14,290,455). Most of the District's costs (\$50,022,982), however, were paid for by the District and other California state taxpayers.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. Governmental Funds are comprised of the General Fund (reflected in the audit report as a combination of the General Fund, Adult Education, Deferred Maintenance, Special Reserve for Non-Capital outlay, and Post-Employment Benefits), the Blended Component Unit (Inyo-Kern Schools Financing Authority), and Other Governmental Funds (a combination of the Child Development, Food Service, Building Fund, School Facilities, and Developer Fees). (See Statement of Fund Balances for Governmental Funds and the Combining Statement of Fund Balances) As the District completed the year, its governmental funds reported combined fund balances of \$37.99 million, compared to \$33.41 million in 2014-15.

The total net change of all governmental fund balances equaled \$4.59 million and all fund balances continued to be positive.

STUDENT BODY FUND

The District continued to vigorously manage its student body funds. The District experienced no audit findings in this area in 2015-16. To maintain compliance and internal controls, the District will continue to proactively and regularly monitor student body financial reports, provide staff development opportunities, maintain communication, and upgrade accounting tools.

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's final budget for the general fund anticipated that the revenues would exceed expenditures by \$4,350,938, the actual results for the year show revenues exceeded expenditures by \$5,378,888.

- Actual revenues were \$78,200 less than expected, due largely to less local revenues than projected.
- Actual expenditures were \$1,106,150 less than final budget, with a decrease of \$570,998 related to other outgoing costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015-16, the District had capital asset investments valued at \$115.39 million. These assets include school buildings, administrative buildings (including the Sierra Vista Center), athletic facilities, computers, and equipment. (See Table A-3). Total accumulated depreciation amounted to \$29.95 million. The capital asset investments experienced a net increase (including additions and deductions) of \$4.52 million over last year. More detailed information about capital assets can be found in Note 6 to the financial statements.

Table A-3: Capital Assets (Net of Accumulated Depreciation)

	2015-2016	2014-2015	Change	% Change
Sites, Buildings & Improvements	\$ 55,338,005	\$ 57,583,067	\$ (2,245,062)	-3.9%
Equipment	1,891,571	1,936,637	(45,066)	-2.3%
Work in Progress	28,209,079	21,396,831	6,812,248	31.8%
	<u>\$ 85,438,655</u>	<u>\$ 80,916,535</u>	<u>\$ 4,522,120</u>	<u>5.6%</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Long-Term Debt

The District maintains seven debt obligations other than current liabilities. The first type of debt is compensated absences (i.e. employee vacations) which has an outstanding balance of \$90,181 as of June 30, 2016. The second area relates to the passage of Measure A, a governmental obligation bond in the amount of \$50,500,000 for modernization for each of the District's eleven school sites, which has an outstanding balance of \$21,023,569 as of June 30, 2016. The third is a lease revenue bond in the amount of \$4,500,000 to facilitate in the purchase and renovation of a support facility. The District's outstanding liability for the lease revenue bond is \$3,385,000.

The fourth is a \$3.0M State loan incurred by the District for the matching fund amount associated with the grant utilized to construct the CTE building. This grant was funded under Proposition 1D and required a \$3.0M match by the District. Construction began in 2010-11 and it was completed in the spring of 2012. The District's outstanding balance as of June 30, 2016 for the State loan is \$1,348,263. The fifth is a Qualified School Construction Bond (QSCB) being used to leverage Measure A bond funds. The QSCB enabled the District to continue its Modernization efforts. Series A was funded in July 2010 in the amount of \$14,150,000. The outstanding balance for the QSCB debt as of June 30, 2016 is \$14,150,000. The sixth is a no interest state loan for the Faller Preschool. The amount of this loan is \$84,000. The seventh is a net pension liability of \$34,362,000, which is a result of the implementation of GASB 68.

See Notes 7 and 8 to the financial statements for more detailed information.

Bonded Debt

On August 25, 2006, the District sold \$19,467,868 of General Obligation Bonds – Election 2006. In December 2008 the District sold an additional \$5,401,532 of the Measure A General Obligation Bonds. The annual requirements to amortize the General Obligation Bonds are shown in Table A-4 below:

Table A-4: Bonded Debt

Year Ending June 30,	Principal	Interest	Total
2017	\$ 841,967	\$ 666,020	\$ 1,507,987
2018	941,242	648,844	1,590,086
2019	1,037,236	640,250	1,677,486
2020	1,137,759	632,887	1,770,646
2021	1,246,436	620,004	1,866,440
2022-2026	7,475,860	3,557,837	11,033,697
2027-2031	6,400,359	9,243,759	15,644,118
2032-2036	1,942,710	7,645,574	9,588,284
Totals	<u>\$ 21,023,569</u>	<u>\$ 23,655,175</u>	<u>\$ 44,678,744</u>

Other Debt – Lease Revenue Bond

On March 1, 2007, the District acquired \$4,500,000 of Lease Revenue Bonds. A portion of these revenues were used toward the purchase of the Sierra Vista Center and the remaining balance is used to prepare a portion of the facility for District Administrative offices. The annual requirements to amortize these Lease Revenue Bonds are shown in Table A-5 below. This debt obligation will be primarily funded through rental income from the commercial businesses located in the Sierra Vista Center.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Table A-5: Lease Revenue Bond

Year Ending June 30,	Principal	Interest	Total
2017	\$ 155,000	\$ 140,783	\$ 295,783
2018	160,000	134,583	294,583
2019	165,000	128,183	293,183
2020	175,000	121,583	296,583
2021	180,000	114,583	294,583
2022-2026	1,015,000	456,701	1,471,701
2027-2031	1,250,000	224,070	1,474,070
2031-2035	285,000	12,113	297,113
Totals	<u>\$ 3,385,000</u>	<u>\$ 1,332,599</u>	<u>\$ 4,717,599</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Local Control Funding Formula (LCFF) gap funding boost is significant but future gap funding is expected to be much less in the years to come.
- Expectations are on the rise in terms of new and improved services to students and subsequent higher student performance.
- Temporary taxes authorized by Proposition 30 will expire prior to full implementation of the LCFF. The sales tax increase is due to expire 12/31/16. The income tax increase is due to expire 12/31/18.
- Employer contributions to STRS and PERS will continue to significantly increase in the following years.
- Ongoing funding must be allocated to support continuing expenditures in the areas of technology in support of Common Core implementation

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives for those with an interest in this area. Questions about this report or additional financial information can be provided by contacting Christina Giraldo, Assistant Superintendent of Business and Support Services at Sierra Sands Unified School District, 113 West Felspar, Ridgecrest, California 93555; or send an e-mail to cgiraldo@ssusd.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Cash in County Treasury	\$ 34,405,519
Cash on Hand and in Banks	80,000
Cash in Revolving Fund	40,000
Cash with a Fiscal Agent/Trustee	2,063,720
Accounts Receivable	9,377,375
Stores Inventories	85,243
Capital Assets (Net)	85,438,655
Total Assets	131,490,512

DEFERRED OUTFLOWS OF RESOURCES:

Pension	20,954,388
Total Assets and Deferred Outflows of Resources	\$ 152,444,900

LIABILITIES:

Accounts Payable	7,835,941
Noncurrent Liabilities:	
Due within one year	3,704,101
Due in more than one year	78,761,750
Total Liabilities	90,301,792

DEFERRED INFLOWS OF RESOURCES:

Pension	22,611,292
Unearned Revenue	221,743
Total Deferred Inflows of Resources	22,833,035

NET POSITION:

Net Investment in Capital Assets	45,447,823
Restricted For:	
Debt Service	5,127,451
Capital Projects	4,455,198
Special Revenue	471,107
Unrestricted	(16,191,506)
Total Net Position	\$ 39,310,073

The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Instruction	\$ 30,717,980	\$ -	\$ 4,450,025	\$ (26,267,955)
Instruction-Related Services	5,170,601	-	795,380	(4,375,221)
Pupil Services	7,098,119	415,237	2,059,700	(4,623,182)
Ancillary Services	308,497	-	45,094	(263,403)
Community Services	8,391	-	1,234	(7,157)
Enterprise	25,135	-	3,696	(21,439)
General Administration	5,933,584	39,271	658,950	(5,235,363)
Plant Services	6,465,677	334,760	6,276,376	145,459
Total Governmental Activities	<u>\$ 55,727,984</u>	<u>\$ 789,268</u>	<u>\$ 14,290,455</u>	<u>(40,648,261)</u>
General Revenues				
LCFF Sources				38,051,547
Federal Revenues				1,967,268
State Revenues				3,872,939
Local Revenues				<u>6,131,228</u>
Total General Revenues				<u>50,022,982</u>
Change in Net Position				9,374,721
Net Position - Beginning				<u>29,935,352</u>
Net Position - Ending				<u>\$ 39,310,073</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 18,885,486	\$ 6,907,416	\$ 8,612,617	\$ 34,405,519
Cash on Hand and in Banks	65,000	-	15,000	80,000
Cash in Revolving Fund	40,000	-	-	40,000
Cash with Fiscal Agent/Trustee	-	-	2,063,720	2,063,720
Accounts Receivable	2,508,447	5,926,021	942,907	9,377,375
Due from Other Funds	1,101,118	1,210,898	1,084	2,313,100
Stores Inventories	62,804	-	22,439	85,243
Total Assets	<u>\$ 22,662,855</u>	<u>\$ 14,044,335</u>	<u>\$ 11,657,767</u>	<u>\$ 48,364,957</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 4,191,405	\$ 3,520,527	\$ 124,009	\$ 7,835,941
Due to Other Funds	850,305	-	1,462,795	2,313,100
Total Liabilities	<u>5,041,710</u>	<u>3,520,527</u>	<u>1,586,804</u>	<u>10,149,041</u>
Deferred Inflows of Resources:				
Unearned Revenue	204,536	-	17,207	221,743
Total Deferred Inflows of Resources	<u>204,536</u>	<u>-</u>	<u>17,207</u>	<u>221,743</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	40,000	-	-	40,000
Stores Inventories	62,804	-	22,439	85,243
Restricted	1,767,032	4,562,721	4,170,205	10,499,958
Committed	13,159,887	5,961,087	5,861,112	24,982,086
Unassigned:				
Reserve for Economic Uncertainty	2,386,886	-	-	2,386,886
Total Fund Balance	<u>17,416,609</u>	<u>10,523,808</u>	<u>10,053,756</u>	<u>37,994,173</u>
Total Liabilities and Fund Balances	<u>\$ 22,662,855</u>	<u>\$ 14,044,335</u>	<u>\$ 11,657,767</u>	<u>\$ 48,364,957</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Total Fund Balances of Governmental Funds	\$ 37,994,173
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	85,438,655
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(34,362,000)
Deferred Inflows of Resources - Pensions	(22,611,292)
Deferred Outflows of Resources - Pensions	20,954,388
State of California Contract	(1,432,263)
General Obligation Bonds	(21,023,569)
Lease Revenue Bonds	(3,385,000)
Certificates of Participation	(14,150,000)
Employment Benefit Obligations	(8,113,019)
Total Long-term Liabilities	<u>(84,122,755)</u>
Net Position of Governmental Activities	<u>\$ 39,310,073</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionments	\$ 26,901,418	\$ -	\$ -	\$ 26,901,418
Education Protection Account Funds	6,498,973	-	-	6,498,973
Local Sources	4,651,156	-	-	4,651,156
Federal Revenue	5,054,582	5,382,875	1,322,079	11,759,536
Other State Revenue	7,688,283	-	615,360	8,303,643
Other Local Revenue	1,939,357	52,268	4,294,763	6,286,388
Total Revenues	<u>52,733,769</u>	<u>5,435,143</u>	<u>6,232,202</u>	<u>64,401,114</u>
Expenditures:				
Instruction	27,486,709	-	405,274	27,891,983
Instruction - Related Services	5,124,841	-	45,760	5,170,601
Pupil Services	4,377,458	-	1,938,093	6,315,551
Ancillary Services	308,497	-	-	308,497
Community Services	8,391	-	-	8,391
Enterprise	25,135	-	-	25,135
General Administration	3,956,384	-	109,926	4,066,310
Plant Services	6,067,466	6,990,352	575,990	13,633,808
Debt Service:				
Principal	-	304,089	924,681	1,228,770
Interest	-	68,754	1,780,614	1,849,368
Total Expenditures	<u>47,354,881</u>	<u>7,363,195</u>	<u>5,780,338</u>	<u>60,498,414</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,378,888</u>	<u>(1,928,052)</u>	<u>451,864</u>	<u>3,902,700</u>
Other Financing Sources (Uses):				
Transfers In	967,492	2,323,246	1,252,174	4,542,912
Transfers Out	(2,747,042)	-	(1,795,870)	(4,542,912)
Other Sources	-	-	701,591	701,591
Other Uses	(17,906)	-	-	(17,906)
Total Other Financing Sources (Uses)	<u>(1,797,456)</u>	<u>2,323,246</u>	<u>157,895</u>	<u>683,685</u>
Net Change in Fund Balance	3,581,432	395,194	609,759	4,586,385
Fund Balance, July 1	13,835,177	10,128,614	9,443,997	33,407,788
Fund Balance, June 30	<u>\$ 17,416,609</u>	<u>\$ 10,523,808</u>	<u>\$ 10,053,756</u>	<u>\$ 37,994,173</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 4,586,385
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded capital asset decreases in the current fiscal year.	7,168,131
Depreciation expense for the fiscal year being reported.	(2,646,011)
The adoption of GASB No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, increases pension expense for the current fiscal year.	
Pension Expense	215,104
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long term debt and related items.	
State of California Contract	325,089
General Obligation Bonds	753,681
Lease Revenue Bonds	150,000
Employment Benefit Obligations	(1,177,658)
Change in Net Position of Governmental Activities	\$ 9,374,721

The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2016**

	<u>Agency Fund</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS:	
Cash on Hand and in Banks	\$ 479,876
Total Assets	<u>\$ 479,876</u>
LIABILITIES:	
Due to Student Groups	\$ 479,876
Total Liabilities	<u>479,876</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The Sierra Sands Unified School District (the District) is governed by the Board of Trustees, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The Board of Trustees consists of five elected officials and has the decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The Blended Component Unit consists of Public Property Financing Corporation of California (the "Corporation"). The District has financial and operational relationships which meet the reporting entity definition criteria for inclusion of certain activities of the Corporation as a component unit of the District. Accordingly, certain financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation:

- **Manifestations of Oversight**

The District's Superintendent and Assistant Superintendent – Business Services, function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the major lessee of all facilities owned by the Corporation and hold title to all assets acquired by the Corporation.

- **Accountability for Fiscal Matters**

The subject financing arrangement of the Corporation must have the consent of the District.

Any deficits incurred by the Corporation for the subject transactions will be reflected in the lease payments of the District. Any surpluses of the Corporation for the subject transactions revert to the District at the end of the lease period.

It is anticipated that the District's lease payments will be the major revenue source of the Corporation for the subject transactions.

The District has assumed a "moral obligation" and potentially a legal obligation, for any debt incurred by the Corporation.

- **Scope of Public Service**

The Corporation was created for the sole purpose of financially assisting school districts.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California on April 6, 1932. The Corporation was formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion of the subject transactions the District intends to occupy the Corporation's facilities under a lease-purchase agreement effective through the year 2035. At the end of the lease term, title of the Corporation's property will pass to the District for no additional consideration.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

• **Financial Presentation**

The subject transactions and the Corporation's financial activity are presented in the financial statements as the Blended Component Unit Capital Projects Fund and the Blended Component Unit Debt Service Fund. Certificates of Participation issued by the Corporation are included in the Long-Term Debt. Fixed Assets acquired or constructed by the Corporation are included in the Fixed Assets.

B. Inyo-Kern Schools Financing Authority (the Authority)

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*, for inclusion of the Authority as a Component Unit of Sierra Sands Unified School Authority and the Lone Pine Unified School District.

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, 2016. The value of the real property was not determinable, as governmental property in Inyo County is not assessed.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements consist of the statement of net position and the statement activities, which display information about the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, grants and agreements, and other nonexchange transactions. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are expenses of the District related to the administration and support of the District's programs, such as personnel and accounting and are allocated to programs. Program revenues include a) charges paid by recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state revenue limit, are presented as general revenues.

Fund Financial Statements:

Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

governmental fund reporting is on major funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. All other funds are aggregated and reported by fund type.

The District reports the following major governmental funds:

1. General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
2. Special Reserve Fund for Capital Outlay Projects is used to account for revenues accumulated and expended for capital expenditures including building, sites, improvements and equipment.

The District reports the following nonmajor governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

1. Child Development Fund is used to account for revenues received and expenditures made to operate the District's childcare and development programs.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.
3. Adult Education Fund is used to account for revenues received and expenditures made to operate the District's adult education programs.

Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs. The District maintains the following non-major debt service funds:

1. Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the principal and interest payments of the General Obligation Bonds.
2. Blended Component Unit Debt Service Fund is used to account for bond interest and redemption of bond principal of the District's Certificates of Participation (component unit).
3. Blended Component Unit is used to account for the acquisition and construction of District facilities financed through the issuance of Certificates of Participation.

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

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. Building Fund is used to account for the activity (proceeds and capital acquisitions) for the District's 2006 General Obligation Bonds.
3. County School Facilities Fund is used to account for Proposition 1A funds received from the Office of Public Schools Construction. These funds will be used for school growth construction under the State match program.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

The District reports the following fund types:

Agency Funds are used to account for assets held by the District as an agent for each school's student body funds.

D. Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures are recorded when related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law the District's Governing Board must adopt a final budget no later than July 1. Agency funds are not required to be budgeted. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. For those funds for which annual budgets are adopted, appropriations are budgeted and controlled on a functional basis and amended as necessary during the year. These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. Annual appropriations lapse at the end of the budget year.

F. Cash and Investments

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. All deposits of the District are made in board-designated official depositories. In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Kern County Local Agency Investment Fund. The County pools these funds with those of other districts in the County and invests the cash. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. These pooled funds are carried at cost, which approximates market value. Income from pooled moneys is allocated to participating districts based on the district's respective share of total pooled cash and investments and is deposited quarterly into participating funds. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Receivables and Payables

Outstanding balances between funds are reported as “due to/from other funds” and represent transactions of lending/borrowing arrangements outstanding at the end of the fiscal year. These interfund receivables and payables are eliminated in the government-wide financial statements.

H. Accounts Receivable and Unearned (Deferred) Revenue

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables. As of June 30, 2016, management determined no allowance for doubtful accounts was necessary.

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 deferred revenue.

I. Stores Inventories

Inventories are recorded at cost using the weighted average method. Inventories consist of expendable supplies held for consumption and are recorded as expenditures when the individual inventory items are purchased. The inventories reported on the fund balance sheet are offset by a fund balance reserve, which indicates that these amounts do not constitute a resource available for appropriation.

J. Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The District defines capital assets as assets with an individual cost of \$5,000, and an estimated useful life of more than 2 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Site Improvements	20 - 30 years
Building and Improvements	25 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	10 years

K. Accrued Liabilities and Long-Term Debt Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as an other financing source. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and any related premiums are reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as a reduction of proceeds.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Debt Obligations (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources.

L. 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.

M. Net Position

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, or laws or regulations of other governments or b) imposed by law through state statute. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

In the governmental fund financial statements, fund balance is composed of the following classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance. The portion of fund balance reflecting assets not in spendable form, either because they will never convert to cash (such as prepaid items) or must remain intact pursuant to legal or contractual requirements (such as the principal of a permanent endowment).

Nonspendable Revolving Cash. The portion of fund balance reflecting the value of the revolving cash account.

Nonspendable Stores Inventories. The portion of fund balance reflecting the value of stores inventories.

Nonspendable Prepaid Items. The portion of fund balance reflecting the value of prepaid items.

Restricted Fund Balance. The portion of fund balance representing resources which should be reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Committed Fund Balance. The portion of fund balance representing resources whose use is constrained by limitations self-imposed by the District through formal action of its highest level of decision-making authority. The constraints can be modified or removed only through the same process by which they were imposed. The action imposing the constraint must be made by the end of the reporting period. The actual amounts may be determined at a later date, prior to the issuance of the financial statements.

Assigned Fund Balance. The portion of fund balance representing resources that are intended to be used for specific purposes but for which the constraints do not meet the criteria to be reported as restricted or committed. Intent may be established either by the District's highest level of decision-making or by a designated body or official. Constraints giving rise to assigned fund balance may be imposed at any time before the financial statements are issued, and may be modified or removed by a process less formal than is required for committed fund balance. In governmental fund types other than the general fund, this is the residual fund balance classification.

Unassigned Fund Balance. The portion of fund balance not classified as nonspendable, restricted, committed, or assigned.

Reserve for Economic Uncertainties. The position of unassigned fund balance set aside pursuant to a minimum fund balance policy. This amount includes the reserve recommended by the Criteria and Standards for fiscal solvency, as well as additional reserve established pursuant to local policy.

Unassigned/Unappropriated. In the general fund, residual fund balance in excess of amount reported in the nonspendable, restricted, committed or assigned fund balance classifications and net of Reserve for Economic Uncertainties.

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

O. Revenue / Property Tax

The District's revenue is received from a combination of local property taxes, state apportionments, and other local sources. 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.

Beginning fiscal year 2013-14 the Local Control Funding Formula (LCFF) replaced the Revenue Limit Calculation. The LCFF creates base, supplemental, and concentration grants instead of most previously existing K-12 funding streams, eliminating funding based on Revenue limit and most Categorical programs. The LCFF provides additional funding for targeted disadvantaged students, English language learners, and Foster youth.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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 expenditures or expenses, as appropriate, during the reporting period. Actual results could differ from those estimates.

Q. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

R. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 11 (Adult Education Fund), Fund 14 (Deferred Maintenance Fund), Fund 17 (Special Reserve Fund for Other Than Capital Outlay), and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

S. 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 Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer 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 (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

T. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have an recurring or nonrecurring fair value measurements.

V. Changes in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for fiscal years ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other even is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 Governmental Accounting Standards Board (GASB) issued Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions to GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for the purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Changes in Accounting Policies (Continued)

administered through trusts that meet the criteria specified in Statement 68 should not be considered plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2016:

	Governmental Funds
Cash on Hand and in Banks	\$ 120,000
Pooled Investments - Kern County Treasury	34,405,519
Cash with Fiscal Agent	2,063,720
Total	<u>\$ 36,589,239</u>

All cash and time deposits are entirely insured or collateralized. The California Government Code requires state banks to secure District deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The surplus funds of the District may be invested in any of the approved investments contained in the California Government code Sections 53600 et seq., limited further by the investment policy adopted by the District.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2016:

<u>Investments by Fair Value Level</u>	<u>6/30/2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<i><u>Debt Securities</u></i>				
U.S. Treasury Notes	\$ 297,137	\$ -	\$ 297,137	\$ -
Money Market Funds	1,766,583	-	1,766,583	-
Total Debt Securities	<u>2,063,720</u>	<u>-</u>	<u>2,063,720</u>	<u>-</u>
 Total Investments by Fair Value Level	 <u>2,063,720</u>	 <u>\$ -</u>	 <u>\$ 2,063,720</u>	 <u>\$ -</u>

**Investments Measured at the Net Asset
Value (NAV)**

Pooled Investments - Kern County	
Treasury	<u>34,405,519</u>
Total Investments Measured at the NAV	<u>34,405,519</u>
Total Investments Measured at Fair Value	<u>\$ 36,469,239</u>

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

<u>Investments Measured at the Net Asset Value</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Pooled Investments - Kern County				
Treasury ⁽¹⁾	\$ 34,405,519	-	Daily	1 Day
Total Investments Measured at the NAV	<u>\$ 34,405,519</u>			

⁽¹⁾The District is a voluntary participant in the Pooled Investments – Kern County Treasury that is regulated by the California Government Code under the oversight of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the State of California for the entire portfolio (in relation to the amortized cost of that portfolio). There are no limitations or restrictions on withdrawals and the fund's Authority does not impose liquidity fees or redemption gates.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code or the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the District's investment policy, where more restrictive that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper — Pooled Funds	270 days	40% of the agency's money	Highest letter and member rating by a NRSRO
Commercial Paper— Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and member rating by a NRSRO
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30% (inclusive of placement service CDs)	None
Placement Service Certificates of Deposit	5 years	30% (combine with placement service deposits)	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" Rating

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as the Kern County Investment Pools.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market rate fluctuation is provided by the following table that shows the distribution of the District's investments by maturity date.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Investments at June 30, 2016, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Adjustment*</u>	<u>Carrying Amount</u>
Cash on Hand and in Banks	\$ 120,000	\$ -	\$ 120,000
Kern County Investment Pool	34,431,702	26,183	34,405,519
Cash with Fiscal Agent	2,063,720	-	2,063,720
Total	<u>\$ 36,615,422</u>	<u>\$ 26,183</u>	<u>\$ 36,589,239</u>

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		
	<u>12 months or less</u>	<u>13 to 36 months</u>	<u>37 to 60 months</u>
Cash on Hand and in Banks	\$ 120,000	\$ -	\$ -
Kern County Investment Pool	18,843,903	12,578,658	2,982,958
Cash with Fiscal Agent	2,063,720	-	-
Total	<u>\$ 21,027,623</u>	<u>\$ 12,578,658</u>	<u>\$ 2,982,958</u>

* Due to the immaterial nature of the fair value adjustment, the Kern County Investment Pool balances are reflected at carrying amount in the financial statements.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by, where applicable, the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit rating as of June 30, 2016, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Ratings AAA</u>
Cash on Hand and in Banks	\$ 120,000	N/A	\$ 120,000	-
Kern County Investment Pool	34,405,519	N/A	34,405,519	-
Cash with Fiscal Agent	2,063,720	N/A	2,063,720	-
Total	<u>\$ 36,589,239</u>		<u>\$ 36,589,239</u>	

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2016, expenditures exceeded final appropriations in individual funds as follows:

<u>Fund</u>	<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	Certificated Salaries	\$ 156,860
	Classified Salaries	\$ 128,605
	Transfers Out	\$ 1,448,989
Cafeteria Fund:	Classified Salaries	\$ 31,369
	Direct Support/Indirect Cost	\$ 42,657
Child Development Fund:	Certificated Salaries	\$ 137
	Classified Salaries	\$ 173
	Employee Benefits	\$ 34
Bond Interest and Redemption Fund:	Principal	\$ 753,681
	Interest and Fiscal Charges	\$ 678,706
Blended Component Unit:	Principal	\$ 150,000
	Interest and Fiscal Charges	\$ 1,101,908
	Transfers Out	\$ 701,591
Blended Component Unit:	Transfers Out	\$ 1,094,279
Capital Facilities Fund:	Services and Other Operating Expenditures	\$ 129,305
Capital Outlay Projects:	Services and Other Operating Expenditures	\$ 674,463
	Capital Outlay	\$ 6,315,889
	Principal	\$ 304,089
	Interest and Fiscal Charges	\$ 68,754
County School Facilities Fund:	Services and Other Operating Expenditures	\$ 555
	Capital Outlay	\$ 443,656

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, consist of the following:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Other Governmental Funds</u>
			<u>Total Governmental Funds</u>
Federal Government:			
Federal Financial			
Assistance Programs	\$ 1,383,707	\$ 5,926,021	\$ 2,372
Total Federal	1,383,707	5,926,021	2,372
State Government:			
State Financial			
Assistance Programs	737,707	-	32,984
Total State	737,707	-	32,984
Local Receivables:			
Local Sources	371,789	-	897,021
Interest Receivable	15,244	-	10,530
Total Local	387,033	-	907,551
Total Accounts Receivable	\$ 2,508,447	\$ 5,926,021	\$ 942,907
			\$ 9,377,375

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due From / Due To Other Funds: – Individual fund interfund receivable and payable balances at June 30, 2016, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,101,118	\$ 850,305
Capital Outlay Projects	1,210,898	-
Cafeteria Fund	1,084	97,961
Child Development Fund	-	259
Blended Component Unit	-	350,796
Blended Component Unit	-	1,013,779
Total	<u>\$ 2,313,100</u>	<u>\$ 2,313,100</u>

Interfund Transfers – Consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2015/2016 fiscal year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 967,492	\$ 2,747,042
Cafeteria Fund	506	-
Capital Outlay Projects	2,323,246	-
Blended Component Unit	1,251,668	701,591
Blended Component Unit	-	1,094,279
Total	<u>\$ 4,542,912</u>	<u>\$ 4,542,912</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016, are shown below:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Non-depreciable Capital Assets				
Land	\$ 174,529	\$ -	\$ -	\$ 174,529
Work in Progress	21,396,831	6,812,248	-	28,209,079
Total Non-depreciable Capital Assets	21,571,360	6,812,248	-	28,383,608
Depreciable Capital Assets				
Buildings and Improvements	80,358,430	41,635	-	80,400,065
Machinery and Equipment	6,426,657	314,248	(135,770)	6,605,135
Total Depreciable Capital Assets	86,785,087	355,883	(135,770)	87,005,200
<u>Less: Accumulated Depreciation:</u>				
Buildings and Improvements	(22,949,892)	(2,286,697)		(25,236,589)
Machinery and Equipment	(4,490,020)	(359,314)	135,770	(4,713,564)
Total Accumulated Depreciation	(27,439,912)	(2,646,011)	135,770	(29,950,153)
Net Depreciable Capital Assets	59,345,175	(2,290,128)	-	57,055,047
Total Capital Assets, Net	\$ 80,916,535	\$ 4,522,120	\$ -	\$ 85,438,655

Depreciation expense was charged to governmental activities as follows for the year ended June 30, 2016:

Instruction	\$ 1,863,443
Transportation	782,568
Total Depreciation Expenses	<u>\$ 2,646,011</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT OBLIGATIONS

State of California Career Tech Education

In February 2010, the Sierra Sands Unified School District entered into an agreement with the State of California Department of General Services for the construction of the Career Tech Education Building. The contract is for a ten year period payable annually with an interest rate of 4.161%. Future obligations payable under the contract are as follows:

State of California Career Tech

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 316,742	\$ 56,101	\$ 372,843
2018	329,922	42,921	372,843
2019	343,650	29,193	372,843
2020	357,949	14,894	372,843
2021	-	-	-
Totals	<u>\$ 1,348,263</u>	<u>\$ 143,109</u>	<u>\$ 1,491,372</u>

State of California CDE

In June 2011, the Sierra Sands Unified School District entered into an agreement with the State of California Department of Education for replacement and/or expansion of facilities. The contract is for a ten year period payable annually with no interest. Future obligations payable under the contract are as follows:

State of California CDE

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 21,000	\$ -	\$ 21,000
2018	21,000	-	21,000
2019	21,000	-	21,000
2020	21,000	-	21,000
2021	-	-	-
Totals	<u>\$ 84,000</u>	<u>\$ -</u>	<u>\$ 84,000</u>

The combined agreements with the State of California are as follows:

Total State of California

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 337,742	\$ 56,101	\$ 393,843
2018	350,922	42,921	393,843
2019	364,650	29,193	393,843
2020	378,949	14,894	393,843
2021	-	-	-
Totals	<u>\$ 1,432,263</u>	<u>\$ 143,109</u>	<u>\$ 1,575,372</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Certificates of Participation 2010 Series A

In July of 2010, the Sierra Sands Unified School District entered into an agreement with the Inyo-Kern Schools Financing Authority and U.S. Bank National Association, to finance the modernization, equipping, furnishing and/or improving of certain capital facilities of the District in relation to the 2010 Series A (Direct Subsidy Qualified School Construction Bonds) Certificates of Participation. The agreement is for a ten year period payable annually (commencing June 2017) with an interest rate of 6.75%, effectively immediately. Future obligations payable under the contract are as follows:

Certificates of Participation 2010 Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,100,000	\$ 955,125	\$ 2,055,125
2018	1,100,000	880,875	1,980,875
2019	1,100,000	806,625	1,906,625
2020	1,100,000	732,375	1,832,375
2021	1,100,000	658,125	1,758,125
2022-2026	8,650,000	2,176,875	10,826,875
2027-2031	-	-	-
Totals	<u>\$ 14,150,000</u>	<u>\$ 6,210,000</u>	<u>\$ 20,360,000</u>

General Obligation Bonds – Election 2006

On August 25, 2006, the District sold \$19,467,868 of general obligation bonds with interest rates ranging from 3.75% to 4.92% for the purpose of financing new construction and additions to and modernization of school facilities for the District. At June 30, 2016, the principal balance of the General Obligation Bonds – Election 2006 was \$15,712,868. The principal and interest repayment of the general obligation bonds are as follows:

General Obligation Bonds Election 2006

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 800,000	\$ 494,361	\$ 1,294,361
2018	895,000	456,461	1,351,461
2019	985,000	418,861	1,403,861
2020	1,080,000	377,021	1,457,021
2021	1,185,000	327,815	1,512,815
2022-2026	6,770,288	1,755,837	8,526,125
2027-2031	3,997,580	7,747,420	11,745,000
2032-2036	-	-	-
Totals	<u>\$ 15,712,868</u>	<u>\$ 11,577,776</u>	<u>\$ 27,290,644</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

General Obligation Bonds – Series 2008

On December 10, 2008, the District sold \$5,401,532 of "Series 2008" general obligation bonds with interest rates ranging from 3.86% to 6.76% for the purpose of upgrading, renovating and modernizing classrooms and facilities for the District. At June 30, 2016, the principal balance of the General Obligation Bonds – Series 2008 was \$5,310,701. The principal and interest repayment of the general obligation bonds are as follows:

General Obligation Bonds 2008 Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 41,967	\$ 171,659	\$ 213,626
2018	46,242	192,383	238,625
2019	52,236	221,389	273,625
2020	57,759	255,866	313,625
2021	61,436	292,189	353,625
2022-2026	705,572	1,802,000	2,507,572
2027-2031	2,402,779	1,496,339	3,899,118
2032-2036	1,942,710	7,645,574	9,588,284
Totals	<u>\$ 5,310,701</u>	<u>\$ 12,077,399</u>	<u>\$ 17,388,100</u>

The combined future principal and interest repayment of the general obligation bonds are as follows:

Total General Obligation Bonds

2017	\$ 841,967	\$ 666,020	\$ 1,507,987
2018	941,242	648,844	1,590,086
2019	1,037,236	640,250	1,677,486
2020	1,137,759	632,887	1,770,646
2021	1,246,436	620,004	1,866,440
2022-2026	7,475,860	3,557,837	11,033,697
2027-2031	6,400,359	9,243,759	15,644,118
2032-2036	1,942,710	7,645,574	9,588,284
Totals	<u>\$ 21,023,569</u>	<u>\$ 23,655,175</u>	<u>\$ 44,678,744</u>

The following summarizes the General Obligation Bond activity during the year:

	<u>Balance</u>			<u>Balance</u>
	<u>July 01, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
General Obligation Bonds Election 2006	\$ 16,432,868	\$ -	\$ (720,000)	\$ 15,712,868
General Obligation Bonds Series 2008	5,344,382	-	(33,681)	5,310,701
Total Long-Term Obligations	<u>\$ 21,777,250</u>	<u>\$ -</u>	<u>\$ (753,681)</u>	<u>\$ 21,023,569</u>

Lease Revenue Bonds Inyo-Kern Schools Financing Authority

On March 1, 2007, the Inyo-Kern Schools financing Authority ("Authority") component unit of the Sierra Sands Unified School District sold \$4,500,000 of Lease Revenue Bonds. These bonds were issued to reimburse the acquisition and construction of school facilities and improvements to be owned and operated by Sierra Sands Unified School District.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

The outstanding Lease Revenue Bonds of Inyo-Kern Schools Financing Authority at June 30, 2016, is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2015</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2016</u>
03/01/07	4.00 to 4.2%	05/01/32	\$ 3,535,000	\$ 150,000	\$ 3,385,000

The annual requirements to amortize these Lease Revenue Bonds payable outstanding at June 30, 2016, are as follows:

Lease Revenue Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 155,000	\$ 140,783	\$ 295,783
2018	160,000	134,583	294,583
2019	165,000	128,183	293,183
2020	175,000	121,583	296,583
2021	180,000	114,583	294,583
2022-2026	1,015,000	456,701	1,471,701
2027-2031	1,250,000	224,070	1,474,070
2032-2036	285,000	12,113	297,113
Totals	<u>\$ 3,385,000</u>	<u>\$ 1,332,599</u>	<u>\$ 4,717,599</u>

NOTE 8 – LONG-TERM DEBT SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016, is shown below:

	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Debt Obligations:					
State of California Contract	\$ 1,757,352	\$ -	\$ (325,089)	\$ 1,432,263	\$ 337,742
General Obligation Bonds	21,777,250	-	(753,681)	21,023,569	841,967
Lease Revenue Bonds	3,535,000	-	(150,000)	3,385,000	155,000
Certificates of Participation	14,150,000	-	-	14,150,000	1,100,000
Total Debt Obligations	<u>41,219,602</u>	<u>-</u>	<u>(1,228,770)</u>	<u>39,990,832</u>	<u>2,434,709</u>
Employment Benefit Obligations:					
Compensated Absences	95,038	-	(4,857)	90,181	-
Retiree Health Benefits	6,840,323	2,451,907	(1,269,392)	8,022,838	1,269,392
Net Pension Liability	29,728,000	4,634,000	-	34,362,000	-
Total Employment					
Benefit Obligations	<u>36,663,361</u>	<u>7,085,907</u>	<u>(1,274,249)</u>	<u>42,475,019</u>	<u>1,269,392</u>
Total Long-Term Obligations	<u>\$ 77,882,963</u>	<u>\$ 7,085,907</u>	<u>\$ (2,503,019)</u>	<u>\$ 82,465,851</u>	<u>\$ 3,704,101</u>

NOTE 9 – LEASES

A. Capital Lease Obligations

The District has not entered into any capital leases where title passes to the District upon the expiration of the lease period.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – LEASES (Continued)

B. Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. Rent expense for the fiscal year ended June 30, 2016 was \$58,215. None of these agreements contain purchase options. All of these agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 58,255
2018	21,978
2019	10,097
2020	-
Totals	\$ 90,330

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

1. GENERAL INFORMATION ABOUT THE PENSION PLANS

A. Plan Description

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

B. Benefits Provided

CalSTRS and CalPERS 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 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.

The Plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	<u>CalSTRS</u>		<u>CalPERS</u>	
	<u>Before Jan. 1, 2013</u>	<u>On or After Jan. 1, 2013</u>	<u>Before Jan. 1, 2013</u>	<u>On or After Jan. 1, 2013</u>
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	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	55-67	50-62	52-67

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

B. Benefits Provided (Continued)

Monthly benefits, as a % of eligible contributions	CalSTRS		CalPERS	
	1.1 – 2.4%	1.0 – 2.4% *	1.1 – 2.5%	1.0 – 2.5%
Required employee contribution rates (Average)	8.150%	8.150%	6.974%	6.974%
Required employer contribution rates	8.880%	8.880%	11.442%	11.442%
Required state contribution rates	5.954%	5.954%		

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

C. 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, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

D. Contributions – CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% 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 8.88% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific 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.

E. 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, 2015 (measurement date), the State contributed 5.678848% 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.

F. Contributions Recognized

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions – Employer	\$ (1,719,579)	\$ 1,935,758	\$ 216,179
Contributions – State On Behalf Payments	1,263,813	-	1,263,813
Total Pension Expense	\$ (455,766)	\$ 1,935,758	\$ 1,479,992

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

G. Pension Expense

	CalSTRS	CalPERS	Total
Service Cost	\$ 2,055,720	\$ 1,023,746	\$ 3,079,466
Interest on Total Pension Liability	6,865,720	3,246,087	10,111,807
Recognized Changes of Assumptions	-	(196,750)	(196,750)
Expected and Actual Experience	(485,440)	183,008	(302,432)
Net Plan to Plan Resources Movement	-	82	82
Employee Contributions	(2,447,180)	(496,225)	(2,943,405)
Projected Earning on Pension Plan Investments	(2,817,920)	(2,708,053)	(5,525,973)
Recognized Net Difference Between Projected and Actual Earnings on Investments	-	(233,087)	(233,087)
Administrative Expenses	57,350	40,399	97,749
Total Pension Expense	\$ 3,228,250	\$ 859,207	\$ 4,087,457

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 25,071,000
CalPERS	9,291,000
Total Net Pension Liability	\$ 34,362,000

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion 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.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.039%	0.000594%
Proportion - June 30, 2015	0.037%	0.000630%
Change - Increase (Decrease)	-0.002%	0.000036%

For the year ended June 30, 2016, the District recognized pension expense of \$1,479,992. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,695,096	\$ -
Differences between actual and expected experience	4,971,737	-
Changes in assumptions	-	5,345,047
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	14,287,555	17,266,245
Total	\$ 20,954,388	\$ 22,611,292

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

\$1,695,096 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, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	\$ 6,981,377	\$ (7,598,535)	\$ (617,158)
2018	5,286,281	(7,598,535)	(2,312,254)
2019	5,114,841	(7,414,222)	(2,299,381)
2020	3,571,889	-	3,571,889
2021	-	-	-
Thereafter	-	-	-
Total	<u>\$ 20,954,388</u>	<u>\$ (22,611,292)</u>	<u>\$ (1,656,904)</u>

A. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age – Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	3.25%	3.25%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05% - 5.6% (1)	3.20% - 10.80% (1)
Investment Rate of Return	3.25% (2)	3.25% (2)
Mortality	.013% - 0.435% (3)	0.00125% - 0.45905% (3)

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Depending on age, gender, and type of job

B. Discount Rate

The discount rate used to measure the total pension liability was 3.25% for CalSTRS and 3.25% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS 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 discount rate should be determined without reduction for pension plan administrative expenses. The investment return assumption used in the accounting valuations is net of 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. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

B. Discount Rate (Continued)

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Long Term Expected Return*</u>
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Liquidity	1.00%	

*10 year geometric average used for long term expected real rate of return

CalPERS

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return (Years 1-10) (1)</u>	<u>Real Return (Years 11+) (2)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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

The following table 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:

	CalSTRS	CalPERS
1% Decrease	-1.00%	-1.00%
Net Pension Liability	\$37,612,000	\$15,114,000
Current Discount Rate	3.25%	3.25%
Net Pension Liability	\$25,071,000	\$9,291,000
1% Increase	1.00%	1.00%
Net Pension Liability	\$14,353,000	\$4,440,000

D. Pension Plan Fiduciary Net Position

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Joint Powers Agreements

The District is a member of the Self-Insured Schools of Kern. Although these insurance programs have been reviewed for adequate protection, it is understood that a contingent liability could exist whenever a district is self-insured. The District also participates in joint powers agreements for legal services and education services for special education students that are coordinated by the Kern County Superintendent of Schools. Each joint powers agreement is governed by a board of representatives of the member districts independently accountable for its operations and fiscal matters. The relationship between the District and the JPA's is such that they are not considered component units of the District for financial reporting purposes.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

In addition to the pension benefits described in Note 10, the District provides post retirement benefits including medical, prescription drug, behavior health, dental and vision benefits. These coverages are self-insured on a pooled basis through the Self-Insured Schools of California (SISC).

Eligibility for District-paid Benefits

All District employees and Board Members may retire with the District-paid benefits after attaining age 55 with at least 10 years of service. Part-time Classified employees are required to have completed at least 17,440 hours of service (as defined by PERS) in order to complete their 10 year service requirement. District employees with at least 30 years of service may retire with District-paid benefits at any age. District-paid benefits end at age 65.

B. Funding Policy

An actuary will determine the District's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

Governmental Accounting Standards do not require pre-funding of OPEB benefits. The District's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The District has elected not to establish an irrevocable trust at this time.

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's New OPEB Obligation/(Assets):

<u>Item</u>	<u>FYE 06/30/16</u>
Annual Required Contributions	\$ 2,451,907
Contributions Made	(1,269,392)
Increase (Decrease) in New OPEB Obligation/(Asset)	1,182,515
Net OPEB Obligation/(Asset) - Beginning of Year	6,840,323
New OPEB Obligation/(Asset) - End of Year	<u>\$ 8,022,838</u>

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2016, and the preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/2016	\$ 2,451,907	\$ 1,269,392	51.77%	\$ 8,022,838
6/30/2015	\$ 2,451,907	\$ 1,329,920	54.24%	\$ 6,840,323
6/30/2014	\$ 2,581,721	\$ 1,330,242	51.53%	\$ 5,718,336

SIERRA SANDS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

D. Actuarial Methods of Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2014. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), an annual medical cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years, and an annual dental/vision trend rate of 4 percent per year for all future years. These assumptions reflect an implicit 3.0 percent general inflation assumption. This District's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years.

NOTE 13 – JOINT VENTURES (JOINT POWERS AGREEMENT)

The Sierra Sands Unified School District participates in three joint ventures under joint powers agreements (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 Sierra Sands Unified School District and the JPA's is such that none of the JPA's is a component unit of Sierra Sands Unified School District for financial reporting purposes.

Plan Description

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

Funding Policy

The District contributes 4.4% of the eligible member's annual payroll. The contribution is intended to provide an annual normal retirement benefit equal to 1.5% of the eligible member's final average pay for covered service up to 30 years. The two classes of members for the SISC Defined Benefit Plan are classic and new. Classic members (those that started prior to January 1, 2013) do not contribute to the SISC Defined Benefit Plan. New members (those that started on or after January 1, 2013) are required to pay a portion of the contribution (1.6% of the 4.4%).

The Sierra Sands Unified School District's contribution to the SISC Defined Benefit Plan for the fiscal year ended June 30, 2016, was \$14,522.

Self Insured Schools of California I, II, and III:

SISC I, II, and III arranged for and provide worker's compensation (SISC I), property and liability (SISC II), and health (SISC III) insurance coverage for their member districts. Approximately 250 districts in central and southern California participate in one or more of the SISC's. Each SISC is governed by an Executive Committee consisting of nine to thirteen members elected by the individual SISC governing boards. Each participant district provides one member for each governing board. Each board controls the operations of its related SISC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays premiums commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SISC I, SISC II, and/or SISC III.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2016

NOTE 13 – JOINT VENTURES (JOINT POWERS AGREEMENT) (Continued)**Condensed Financial Information**

Condensed financial information for SISC I, SISC II for the year ended June 30, 2015, (latest information available) and SISC III for the year ended September 30, 2015, (latest information available) is as follows:

	SISC I	SISC II	SISC III
Total Assets	\$ 81,688,875	\$ 51,666,152	\$ 344,609,638
Total Liabilities	(59,641,557)	(27,814,489)	(147,784,306)
Retained Earnings / (Deficit)	<u>\$ 22,047,318</u>	<u>\$ 23,851,663</u>	<u>\$ 196,825,332</u>
Total Revenues	\$ 22,209,064	\$ 21,834,605	\$ 1,642,782,008
Total Expenditures	(19,133,193)	(20,642,187)	(1,591,548,088)
Net Increase (Decrease) in Fund Balance	<u>\$ 3,075,871</u>	<u>\$ 1,192,418</u>	<u>\$ 51,233,920</u>

NOTE 14 – COMPLIANCE AND ACCOUNTABILITY**A. Finance-Related Legal and Contractual Provisions.**

Violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

B. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

NOTE 15 – MINIMUM FUND BALANCE POLICY

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. This District's Minimum Fund Balance Policy require a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than five percent (5%) of General Fund expenditure and other financing uses.

NOTE 16 – SUBSEQUENT EVENTS**New Accounting Pronouncements****GASB Statement No. 74**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 – SUBSEQUENT EVENTS (Continued)

and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multi-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

The gross dollar amount of taxes abated during the period.

Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 – SUBSEQUENT EVENTS (Continued)

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) Issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, Individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external Investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that

SIERRA SANDS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 – SUBSEQUENT EVENTS (Continued)

participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Revenues:				
LCFF Sources:				
State Apportionments	\$ 28,906,327	\$ 25,175,671	\$ 26,901,418	\$ 1,725,747
Education Protection Account Funds	5,787,317	6,312,000	6,498,973	186,973
Local Sources	3,381,646	6,522,845	4,651,156	(1,871,689)
Federal Revenue	4,950,793	5,576,272	5,054,582	(521,690)
Other State Revenue	7,504,692	7,588,780	7,688,283	99,503
Other Local Revenue	481,284	1,636,401	1,939,357	302,956
Total Revenues	<u>51,012,059</u>	<u>52,811,969</u>	<u>52,733,769</u>	<u>(78,200)</u>
Expenditures:				
Certificated Salaries	19,620,798	19,948,876	20,105,736	156,860
Classified Salaries	7,093,224	6,936,373	7,064,978	128,605
Employee Benefits	12,940,816	12,782,598	12,753,984	(28,614)
Books and Supplies	3,871,320	2,594,233	2,072,419	(521,814)
Services and Other Operating Expenditures	4,778,253	5,106,137	5,052,377	(53,760)
Other Outgoing	943,841	570,998	-	(570,998)
Direct Support/Indirect Costs	(62,525)	(62,525)	(103,200)	(40,675)
Capital Outlay	525,894	584,341	408,587	(175,754)
Total Expenditures	<u>49,711,621</u>	<u>48,461,031</u>	<u>47,354,881</u>	<u>(1,106,150)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,300,438</u>	<u>4,350,938</u>	<u>5,378,888</u>	<u>1,027,950</u>
Other Financing Sources (Uses):				
Transfers In	185,401	185,401	967,492	782,091
Transfers Out	(185,401)	(1,298,053)	(2,747,042)	(1,448,989)
Other Sources	-	-	(17,906)	(17,906)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,112,652)</u>	<u>(1,797,456)</u>	<u>(684,804)</u>
Net Change in Fund Balance	1,300,438	3,238,286	3,581,432	343,146
Fund Balance, July 1	13,835,177	13,835,177	13,835,177	-
Fund Balance, June 30	<u>\$ 15,135,615</u>	<u>\$ 17,073,463</u>	<u>\$ 17,416,609</u>	<u>\$ 343,146</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016

The funded status of the plan as of June 30, 2016, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	\$ -	\$ 20,811,951	\$ 20,811,951	0.00%	\$ 25,420,565	81.87%
7/1/2012	\$ -	\$ 20,476,546	\$ 20,476,546	0.00%	\$ 24,957,781	82.04%
7/1/2010	\$ -	\$ 18,683,803	\$ 18,683,803	0.00%	\$ 24,495,435	76.27%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, as presented shows where the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALSTRS PENSION PLAN
LAST TEN FISCAL YEARS⁽¹⁾

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.037%	0.039%	0.039%
District's proportionate share of the net pension liability	\$ 25,071,000	\$ 22,981,000	\$ 28,094,000
District's covered-employee payroll	\$ 19,399,203	\$ 18,698,688	\$ 18,408,539
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129%	123%	153%
CalSTRS fiduciary net position as a percentage of the total pension liability	74%	77%	67%

(1) 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 for those years for which information is available.

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CALSTRS PENSION PLAN
LAST TEN FISCAL YEARS⁽¹⁾

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contributions	\$ 1,683,214	\$ 1,445,075	\$ 1,482,127
Contributions in relation to the contractually required contributions	(1,683,214)	(1,445,075)	(1,482,127)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,399,203	\$ 18,698,688	\$ 18,408,539
Contributions as a percentage of covered-employee payroll	9%	8%	8%

(1) 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 for those years for which information is available.

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN
LAST TEN FISCAL YEARS⁽¹⁾

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.000630%	0.000594%	0.000594%
District's proportionate share of the net pension liability	\$ 9,291,000	\$ 6,747,000	\$ 9,181,000
District's covered-employee payroll	\$ 7,578,535	\$ 6,721,877	\$ 6,549,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123%	100%	140%
CalSTRS fiduciary net position as a percentage of the total pension liability	79%	83%	76%

(1) 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 for those years for which information is available.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CALPERS PENSION PLAN
LAST TEN FISCAL YEARS⁽¹⁾

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contributions	\$ 820,758	\$ 713,878	\$ 1,145,420
Contributions in relation to the contractually required contributions	(820,758)	(713,878)	(1,145,420)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,578,535	\$ 6,721,877	\$ 6,549,242
Contributions as a percentage of covered-employee payroll	11%	11%	17%

(1) 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 for those years for which information is available.

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CALSTRS AND CALPERS PENSION PLANS
JUNE 30, 2016

Actuarially Determined Contribution Rates

Actuarial determined contribution rates for the CalSTRS and CalPERS pension plans are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age – Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	3.25%	3.25%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05% - 5.6% (1)	3.20% - 10.80% (1)
Investment Rate of Return	3.25% (2)	3.25% (2)
Mortality	.013% - 0.435% (3)	0.00125% - 0.45905% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Depending on age, gender, and type of job

CalSTRS Factors that Affect Trends

CalSTRS, through its consulting actuary, performs an experience study at least every four years to determine appropriate demographic and economic assumptions. The most recent experience study for 2006-2010 was completed as of June 30, 2010. The most recent actuarial valuation was completed as of June 30, 2013, and adopted by the Teachers' Retirement Board April 3, 2014. Further details of the Experience Study can be found at CalSTRS' website at <http://www.calstrs.com/actuarial-financial-and-investor-information>.

CalPERS Factors that Affect Trends

For CalPERS, actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services>.

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and are not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2016

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
ASSETS:						
Cash In County Treasury	\$ 8,684,786	\$ 5,887,484	\$ 2,470,870	\$ 1,467,946	\$ 374,400	\$ 18,885,486
Cash on Hand and In Banks	65,000	-	-	-	-	65,000
Cash in Revolving Fund	40,000	-	-	-	-	40,000
Accounts Receivable	2,499,485	-	5,165	3,174	623	2,508,447
Due from Other Funds	622,546	11,875	-	465,724	973	1,101,118
Stores Inventories	62,804	-	-	-	-	62,804
Total Assets	<u>\$ 11,974,621</u>	<u>\$ 5,899,359</u>	<u>\$ 2,476,035</u>	<u>\$ 1,936,844</u>	<u>\$ 375,996</u>	<u>\$ 22,662,855</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:						
Liabilities:						
Accounts Payable	\$ 4,187,005	\$ -	\$ -	\$ -	\$ 4,400	\$ 4,191,405
Due to Other Funds	676,775	-	173,526	-	4	850,305
Total Liabilities	<u>4,863,780</u>	<u>-</u>	<u>173,526</u>	<u>-</u>	<u>4,404</u>	<u>5,041,710</u>
Deferred Inflows of Resources:						
Unearned Revenue	204,536	-	-	-	-	204,536
Total Deferred Inflows	<u>204,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,536</u>
Fund Balance:						
Nonspendable Fund Balances:						
Revolving Cash	40,000	-	-	-	-	40,000
Stores Inventories	62,804	-	-	-	-	62,804
Restricted	1,767,032	-	-	-	-	1,767,032
Committed	2,649,583	5,899,359	2,302,509	1,936,844	371,592	13,159,887
Unassigned:						
Reserve for Economic Uncertainty	2,386,886	-	-	-	-	2,386,886
Total Fund Balance	<u>6,906,305</u>	<u>5,899,359</u>	<u>2,302,509</u>	<u>1,936,844</u>	<u>371,592</u>	<u>17,416,609</u>
Total Liabilities and Fund Balances	<u>\$ 11,974,621</u>	<u>\$ 5,899,359</u>	<u>\$ 2,476,035</u>	<u>\$ 1,936,844</u>	<u>\$ 375,996</u>	<u>\$ 22,662,855</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
Revenues:						
LCFF Sources:						
State Apportionments	\$ 26,901,418	\$ -	\$ -	\$ -	\$ -	\$ 26,901,418
Education Protection Account Funds	6,498,973	-	-	-	-	6,498,973
Local Sources	4,185,432	-	-	465,724	-	4,651,156
Federal Revenue	5,054,582	-	-	-	-	5,054,582
Other State Revenue	7,465,533	-	-	-	222,750	7,688,283
Other Local Revenue	1,904,964	-	17,195	10,512	6,686	1,939,357
Total Revenues	<u>52,010,902</u>	<u>-</u>	<u>17,195</u>	<u>476,236</u>	<u>229,436</u>	<u>52,733,769</u>
Expenditures:						
Instruction	27,396,312	-	-	-	90,397	27,486,709
Instruction - Related Services	5,085,131	-	-	-	39,710	5,124,841
Pupil Services	4,377,458	-	-	-	-	4,377,458
Ancillary Services	306,623	-	-	-	1,874	308,497
Community Services	8,391	-	-	-	-	8,391
Enterprise	25,135	-	-	-	-	25,135
General Administration	3,956,384	-	-	-	-	3,956,384
Plant Services	6,014,666	-	-	52,702	98	6,067,466
Total Expenditures	<u>47,170,100</u>	<u>-</u>	<u>-</u>	<u>52,702</u>	<u>132,079</u>	<u>47,354,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,840,802</u>	<u>-</u>	<u>17,195</u>	<u>423,534</u>	<u>97,357</u>	<u>5,378,888</u>
Other Financing Sources (Uses):						
Transfers In	955,617	11,875	-	-	-	967,492
Transfers Out	(2,573,516)	-	(173,526)	-	-	(2,747,042)
Other Sources	(17,906)	-	-	-	-	(17,906)
Total Other Financing Sources (Uses)	<u>(1,635,805)</u>	<u>11,875</u>	<u>(173,526)</u>	<u>-</u>	<u>-</u>	<u>(1,797,456)</u>
Net Change In Fund Balance	3,204,997	11,875	(156,331)	423,534	97,357	3,581,432
Fund Balance, July 1	3,701,308	5,887,484	2,458,840	1,513,310	274,235	13,835,177
Fund Balance, June 30	<u>\$ 6,906,305</u>	<u>\$ 5,899,359</u>	<u>\$ 2,302,509</u>	<u>\$ 1,936,844</u>	<u>\$ 371,592</u>	<u>\$ 17,416,609</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 534,173	\$ 3,539,799	\$ 4,538,645	\$ 8,612,617
Cash on Hand and in Banks	15,000	-	-	15,000
Cash with a Fiscal Agent/Trustee	-	2,063,720	-	2,063,720
Accounts Receivable	44,856	888,507	9,544	942,907
Due from Other Funds	1,084	-	-	1,084
Stores Inventories	22,439	-	-	22,439
Total Assets	\$ 617,552	\$ 6,492,026	\$ 4,548,189	\$ 11,657,767
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 31,018	\$ -	\$ 92,991	\$ 124,009
Due to Other Funds	98,220	1,364,575	-	1,462,795
Total Liabilities	129,238	1,364,575	92,991	1,586,804
Deferred Inflows of Resources:				
Unearned Revenue	17,207	-	-	17,207
Total Deferred Inflows	17,207	-	-	17,207
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	22,439	-	-	22,439
Restricted Fund Balance	285,409	-	3,884,796	4,170,205
Committed Fund Balance	163,259	5,127,451	570,402	5,861,112
Total Fund Balance	471,107	5,127,451	4,455,198	10,053,756
Total Liabilities and Fund Balances	\$ 617,552	\$ 6,492,026	\$ 4,548,189	\$ 11,657,767

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 1,322,079	\$ -	\$ -	\$ 1,322,079
Other State Revenue	583,869	31,491	-	615,360
Other Local Revenue	507,225	3,402,304	385,234	4,294,763
Total Revenues	<u>2,413,173</u>	<u>3,433,795</u>	<u>385,234</u>	<u>6,232,202</u>
Expenditures:				
Instruction	405,274	-	-	405,274
Instruction - Related Services	45,760	-	-	45,760
Pupil Services	1,938,093	-	-	1,938,093
General Administration	103,199	-	6,727	109,926
Plant Services	9,201	-	566,789	575,990
Debt Service:				
Principal	21,000	903,681	-	924,681
Interest	-	1,780,614	-	1,780,614
Total Expenditures	<u>2,522,527</u>	<u>2,684,295</u>	<u>573,516</u>	<u>5,780,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(109,354)</u>	<u>749,500</u>	<u>(188,282)</u>	<u>451,864</u>
Other Financing Sources (Uses):				
Transfers In	506	1,251,668	-	1,252,174
Transfers Out	-	(1,795,870)	-	(1,795,870)
Other Sources	-	701,591	-	701,591
Total Other Financing Sources (Uses)	<u>506</u>	<u>157,389</u>	<u>-</u>	<u>157,895</u>
Net Change in Fund Balance	(108,848)	906,889	(188,282)	609,759
Fund Balance, July 1	579,955	4,220,562	4,643,480	9,443,997
Fund Balance, June 30	<u>\$ 471,107</u>	<u>\$ 5,127,451</u>	<u>\$ 4,455,198</u>	<u>\$ 10,053,756</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	\$ 356,275	\$ 177,898	\$ 534,173
Cash on Hand and in Banks	15,000	-	15,000
Accounts Receivable	11,641	33,215	44,856
Due from Other Funds	1,084	-	1,084
Stores Inventories	22,439	-	22,439
Total Assets	<u>\$ 406,439</u>	<u>\$ 211,113</u>	<u>\$ 617,552</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 26,643	\$ 4,375	\$ 31,018
Due to Other Funds	97,961	259	98,220
Total Liabilities	<u>124,604</u>	<u>4,634</u>	<u>129,238</u>
Deferred Inflows of Resources:			
Unearned Revenue	-	17,207	17,207
Total Deferred Inflows of Resources	<u>-</u>	<u>17,207</u>	<u>17,207</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	22,439	-	22,439
Restricted Fund Balance	259,396	26,013	285,409
Committed Fund Balance	-	163,259	163,259
Total Fund Balance	<u>281,835</u>	<u>189,272</u>	<u>471,107</u>
Total Liabilities and Fund Balances	<u>\$ 406,439</u>	<u>\$ 211,113</u>	<u>\$ 617,552</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ 1,322,079	\$ -	\$ 1,322,079
Other State Revenue	105,239	478,630	583,869
Other Local Revenue	499,656	7,569	507,225
Total Revenues	1,926,974	486,199	2,413,173
Expenditures:			
Instruction	-	405,274	405,274
Instruction - Related Services	-	45,760	45,760
Pupil Services	1,938,093	-	1,938,093
General Administration	97,657	5,542	103,199
Plant Services	1,962	7,239	9,201
Debt Service:			
Principal	-	21,000	21,000
Total Expenditures	2,037,712	484,815	2,522,527
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,738)	1,384	(109,354)
Other Financing Sources (Uses):			
Transfers In	506	-	506
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	506	-	506
Net Change in Fund Balance	(110,232)	1,384	(108,848)
Fund Balance, July 1	392,067	187,888	579,955
Fund Balance, June 30	\$ 281,835	\$ 189,272	\$ 471,107

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CAFETERIA FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ 1,318,950	\$ 1,322,079	\$ 3,129
Other State Revenue	105,420	105,239	(181)
Other Local Revenue	493,300	499,656	6,356
Total Revenues	<u>1,917,670</u>	<u>1,926,974</u>	<u>9,304</u>
Expenditures:			
Classified Salaries	651,313	682,682	31,369
Employee Benefits	390,368	388,986	(1,382)
Books and Supplies	877,745	836,411	(41,334)
Services and Other Operating Expenditures	34,710	31,976	(2,734)
Direct Support/Indirect Costs	55,000	97,657	42,657
Total Expenditures	<u>2,009,136</u>	<u>2,037,712</u>	<u>28,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,466)</u>	<u>(110,738)</u>	<u>(19,272)</u>
Other Financing Sources (Uses):			
Transfers In	-	506	506
Total Other Financing Sources (Uses)	<u>-</u>	<u>506</u>	<u>506</u>
Net Change in Fund Balance	(91,466)	(110,232)	(18,766)
Fund Balance, July 1	392,067	392,067	-
Fund Balance, June 30	<u>\$ 300,601</u>	<u>\$ 281,835</u>	<u>\$ (18,766)</u>

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SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CHILD DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ 28,866	\$ -	\$ (28,866)
Other State Revenue	455,062	478,630	23,568
Other Local Revenue	12,000	7,569	(4,431)
Total Revenues	<u>495,928</u>	<u>486,199</u>	<u>(9,729)</u>
Expenditures:			
Certificated Salaries	5,121	5,258	137
Classified Salaries	-	173	173
Employee Benefits	1,549	1,583	34
Books and Supplies	46,341	38,781	(7,560)
Services and Other Operating Expenditures	414,391	412,478	(1,913)
Capital Outlay	-	-	-
Direct Support/Indirect Costs	7,525	5,542	(1,983)
Debt Service:			
Principal	21,000	21,000	-
Total Expenditures	<u>495,927</u>	<u>484,815</u>	<u>(11,112)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1</u>	<u>1,384</u>	<u>1,383</u>
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1	1,384	1,383
Fund Balance, July 1	187,888	187,888	-
Fund Balance, June 30	<u>\$ 187,889</u>	<u>\$ 189,272</u>	<u>\$ 1,383</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR DEBT SERVICE FUNDS**

JUNE 30, 2016

	Bond Interest and Redemption	Blended Component Unit	Blended Component Unit	Total Nonmajor Debt Service Funds
ASSETS:				
Cash in County Treasury	\$ 1,277,681	\$ -	\$ 2,262,118	\$ 3,539,799
Cash with Fiscal Agent/Trustee	-	2,063,720	-	2,063,720
Accounts Receivable	-	-	888,507	888,507
Total Assets	<u>\$ 1,277,681</u>	<u>\$ 2,063,720</u>	<u>\$ 3,150,625</u>	<u>\$ 6,492,026</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Due to Other Funds	-	350,796	1,013,779	1,364,575
Total Liabilities	<u>-</u>	<u>350,796</u>	<u>1,013,779</u>	<u>1,364,575</u>
Fund Balance:				
Committed Fund Balance	<u>1,277,681</u>	<u>1,712,924</u>	<u>2,136,846</u>	<u>5,127,451</u>
Total Fund Balance	<u>1,277,681</u>	<u>1,712,924</u>	<u>2,136,846</u>	<u>5,127,451</u>
Total Liabilities and Fund Balances	<u>\$ 1,277,681</u>	<u>\$ 2,063,720</u>	<u>\$ 3,150,625</u>	<u>\$ 6,492,026</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Bond Interest and Redemption	Blended Component Unit	Blended Component Unit	Total Nonmajor Debt Service Funds
Revenues:				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Other State Revenue	31,491	-	-	31,491
Other Local Revenue	1,520,480	789	1,881,035	3,402,304
Total Revenues	<u>1,551,971</u>	<u>789</u>	<u>1,881,035</u>	<u>3,433,795</u>
Expenditures:				
Debt Service:				
Principal	753,681	150,000	-	903,681
Interest	678,706	1,101,908	-	1,780,614
Total Expenditures	<u>1,432,387</u>	<u>1,251,908</u>	<u>-</u>	<u>2,684,295</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,584</u>	<u>(1,251,119)</u>	<u>1,881,035</u>	<u>749,500</u>
Other Financing Sources (Uses):				
Transfers In	-	1,251,668	-	1,251,668
Transfers Out	-	(701,591)	(1,094,279)	(1,795,870)
Other Sources	-	701,591	-	701,591
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,251,668</u>	<u>(1,094,279)</u>	<u>157,389</u>
Net Change in Fund Balance	119,584	549	786,756	906,889
Fund Balance, July 1	<u>1,158,097</u>	<u>1,712,375</u>	<u>1,350,090</u>	<u>4,220,562</u>
Fund Balance, June 30	<u>\$ 1,277,681</u>	<u>\$ 1,712,924</u>	<u>\$ 2,136,846</u>	<u>\$ 5,127,451</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUNDS

BOND INTEREST AND REDEMPTION

FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over (Under)
Revenues:			
Other State Revenue	\$ -	\$ 31,491	\$ 31,491
Other Local Revenue	-	1,520,480	1,520,480
Total Revenues	-	1,551,971	1,551,971
Expenditures:			
Debt Service:			
Principal	-	753,681	753,681
Interest	-	678,706	678,706
Total Expenditures	-	1,432,387	1,432,387
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	119,584	119,584
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	119,584	119,584
Fund Balance, July 1	1,158,097	1,158,097	-
Fund Balance, June 30	\$ 1,158,097	\$ 1,277,681	\$ 119,584

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE****DEBT SERVICE FUNDS****BLENDED COMPONENT UNIT****FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Federal Revenue	\$ -	\$ -	\$ -
Other Local Revenue	-	789	789
Total Revenues	<u>-</u>	<u>789</u>	<u>789</u>
Expenditures:			
Debt Service:			
Principal	-	150,000	150,000
Interest	-	1,101,908	1,101,908
Total Expenditures	<u>-</u>	<u>1,251,908</u>	<u>1,251,908</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,251,119)</u>	<u>(1,251,119)</u>
Other Financing Sources (Uses):			
Transfers In	-	1,251,668	1,251,668
Transfers Out	-	(701,591)	(701,591)
Other Sources	-	701,591	701,591
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,251,668</u>	<u>1,251,668</u>
Net Change in Fund Balance	-	549	549
Fund Balance, July 1	<u>1,712,375</u>	<u>1,712,375</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,712,375</u>	<u>\$ 1,712,924</u>	<u>\$ 549</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE****DEBT SERVICE FUNDS****BLENDED COMPONENT UNIT****FOR THE YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 1,881,035	\$ 1,881,035
Total Revenues	-	1,881,035	1,881,035
Expenditures:	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,881,035	1,881,035
Other Financing Sources (Uses):			
Transfers Out	-	(1,094,279)	(1,094,279)
Total Other Financing Sources (Uses)	-	(1,094,279)	(1,094,279)
Net Change in Fund Balance	-	786,756	786,756
Fund Balance, July 1	1,350,090	1,350,090	-
Fund Balance, June 30	\$ 1,350,090	\$ 2,136,846	\$ 786,756

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	\$ 101,434	\$ 258,119	\$ 4,179,092	\$ 4,538,645
Accounts Receivable	212	409	8,923	9,544
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 101,646</u>	<u>\$ 258,528</u>	<u>\$ 4,188,015</u>	<u>\$ 4,548,189</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ 500	\$ 92,491	\$ 92,991
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>500</u>	<u>92,491</u>	<u>92,991</u>
Fund Balance:				
Restricted Fund Balance	-	-	3,884,796	3,884,796
Committed Fund Balance	101,646	258,028	210,728	570,402
Total Fund Balance	<u>101,646</u>	<u>258,028</u>	<u>4,095,524</u>	<u>4,455,198</u>
Total Liabilities and Fund Balances	<u>\$ 101,646</u>	<u>\$ 258,528</u>	<u>\$ 4,188,015</u>	<u>\$ 4,548,189</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Other State Revenue	-	-	-	-
Other Local Revenue	772	353,563	30,899	385,234
Total Revenues	772	353,563	30,899	385,234
Expenditures:				
General Administration	-	6,727	-	6,727
Plant Services	-	122,578	444,211	566,789
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	129,305	444,211	573,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	772	224,258	(413,312)	(188,282)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	772	224,258	(413,312)	(188,282)
Fund Balance, July 1	100,874	33,770	4,508,836	4,643,480
Fund Balance, June 30	\$ 101,646	\$ 258,028	\$ 4,095,524	\$ 4,455,198

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 772	\$ 772
Total Revenues	-	772	772
Expenditures:			
Books and Supplies	-	-	-
Services and Other Operating Expenditures	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	772	772
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	772	772
Fund Balance, July 1	100,874	100,874	-
Fund Balance, June 30	\$ 100,874	\$ 101,646	\$ 772

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE****CAPITAL PROJECTS FUNDS****CAPITAL FACILITIES FUND****FOR THE YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ 50,000	\$ 353,563	\$ 303,563
Total Revenues	50,000	353,563	303,563
Expenditures:			
Services and Other Operating Expenditures	-	129,305	129,305
Total Expenditures	-	129,305	129,305
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	224,258	174,258
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	50,000	224,258	174,258
Fund Balance, July 1	33,770	33,770	-
Fund Balance, June 30	\$ 83,770	\$ 258,028	\$ 174,258

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE****CAPITAL PROJECTS FUNDS****CAPITAL OUTLAY PROJECTS****FOR THE YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ -	\$ 5,382,875	\$ 5,382,875
Other Local Revenue	20,000	52,268	32,268
Total Revenues	<u>20,000</u>	<u>5,435,143</u>	<u>5,415,143</u>
Expenditures:			
Books and Supplies	-	-	-
Services and Other Operating Expenditures	-	674,463	674,463
Capital Outlay	-	6,315,889	6,315,889
Debt Service:			
Principal	-	304,089	304,089
Interest	<u>-</u>	<u>68,754</u>	<u>68,754</u>
Total Expenditures	<u>-</u>	<u>7,363,195</u>	<u>7,363,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,000</u>	<u>(1,928,052)</u>	<u>(1,948,052)</u>
Other Financing Sources (Uses):			
Transfers In	<u>1,112,652</u>	<u>2,323,246</u>	<u>1,210,594</u>
Total Other Financing Sources (Uses)	<u>1,112,652</u>	<u>2,323,246</u>	<u>1,210,594</u>
Net Change in Fund Balance	1,132,652	395,194	(737,458)
Fund Balance, July 1	<u>10,128,614</u>	<u>10,128,614</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 11,261,266</u>	<u>\$ 10,523,808</u>	<u>\$ (737,458)</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUNDS

COUNTY SCHOOL FACILITIES FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 30,899	\$ 30,899
Total Revenues	-	30,899	30,899
Expenditures:			
Classified Salaries	-	-	-
Employee Benefits	-	-	-
Services and Other Operating Expenditures	-	555	555
Capital Outlay	-	443,656	443,656
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	-	444,211	444,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(413,312)	(413,312)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	(413,312)	(413,312)
Fund Balance, July 1	4,508,836	4,508,836	-
Fund Balance, June 30	\$ 4,508,836	\$ 4,095,524	\$ (413,312)

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

The Sierra Sands Unified School District was established on July 1, 1974. The District has not made any changes during the year in the school district's boundaries. During the 2015/2016 school year the District operated seven elementary schools, two middle schools, two high schools, and three preschools.

The members of the Board of Trustees of the Sierra Sands Unified School District holding office during the audit period and their respective expiration dates of terms of office were as follows:

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michael Scott	President	December 2016
Tim Johnson	Vice President/Clerk	December 2018
Amy Castillo-Covert	Member	December 2018
Bill Farris	Member	November 2016
Kurt Rockwell	Member	December 2018

ADMINISTRATION

Ernie Bell
Superintendent

Dave Ostash
Assistant Superintendent, Human Resources

Shirley Kennedy
Assistant Superintendent, Curriculum and Instruction

Christina Giraldo
Assistant Superintendent, Business Services

See the independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,496.93	1,505.75	1,505.99	N/A
Extended Year Special Education	1.89	1.89	1.89	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
TK/K-3 Totals	<u>1,498.82</u>	<u>1,507.64</u>	<u>1,507.88</u>	<u>-</u>
Grades 4-6:				
Regular ADA	1,103.00	1,106.11	1,106.60	N/A
Extended Year Special Education	1.67	1.67	1.67	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
Grades 4-6 Totals	<u>1,104.67</u>	<u>1,107.78</u>	<u>1,108.27</u>	<u>-</u>
Grades 7 and 8:				
Regular ADA	694.69	695.73	697.22	N/A
Extended Year Special Education	0.57	0.57	0.57	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
Grades 7 and 8 Totals	<u>695.26</u>	<u>696.30</u>	<u>697.79</u>	<u>-</u>
Grades 9-12:				
Regular ADA	1,316.03	1,392.02	1,380.81	N/A
Extended Year Special Education	1.62	1.62	1.62	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
Grades 9-12 Totals	<u>1,317.65</u>	<u>1,393.64</u>	<u>1,382.43</u>	<u>-</u>
ADA Totals	<u>4,616.40</u>	<u>4,705.36</u>	<u>4,696.37</u>	<u>-</u>

GENERAL

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Average daily attendance is based on the Second Period Report for the period ending April 15 and the Annual Report for the period ending June 30.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 2

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2015-2016 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	56,970	180	Complied
Grade 1	50,400	49,000	51,780	180	Complied
Grade 2	50,400	49,000	51,780	180	Complied
Grade 3	50,400	49,000	51,780	180	Complied
Grade 4	54,000	52,500	54,480	180	Complied
Grade 5	54,000	52,500	54,480	180	Complied
Grade 6	54,000	52,500	65,563	180	Complied
Grade 7	54,000	52,500	65,563	180	Complied
Grade 8	54,000	52,500	65,563	180	Complied
Grade 9	64,800	63,000	65,382	180	Complied
Grade 10	64,800	63,000	65,382	180	Complied
Grade 11	64,800	63,000	65,382	180	Complied
Grade 12	64,800	63,000	65,382	180	Complied

GENERAL

School districts must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet or exceed its LCFF target funding. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 3

GENERAL FUND (1)	Budget 2017	2016	2015	2014
Revenues and Other Financial Sources	\$ 52,997,370	\$ 52,966,519	\$ 47,240,779	\$ 42,904,504
Expenditures	48,461,031	47,170,100	46,008,429	45,112,815
Other Uses and Transfers Out	1,298,053	2,591,422	2,654,488	734,285
Total Outgo	49,759,084	49,761,522	48,662,917	45,847,100
Change in Fund Balance (Deficit)	3,238,286	3,204,997	(1,422,138)	(2,942,596)
Ending Fund Balance	\$ 10,144,591	\$ 6,906,305	\$ 3,701,308	\$ 5,123,446
Available Reserves (2)	\$ 2,503,287	\$ 2,486,886	\$ 2,433,146	2,292,355
Available Reserves as a Percentage of Total Outgo	5.03%	5.00%	5.00%	5.00%
State Recommended Available Reserve Percentage	3.00%	3.00%	3.00%	3.00%
Available Reserves Over (Under) State Recommended Reserve Percentage	2.03%	2.00%	2.00%	2.00%
Total Long-Term Debt	\$ 78,761,750	\$ 82,465,851	\$ 77,882,963	\$ 87,894,030
Average Daily Attendance at P-2	4,616	4,705	4,665	4,677

GENERAL

This schedule discloses the District's financial trends by displaying past years data 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.

(1) The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, Postemployment Benefits Fund, Deferred Maintenance Fund, and the Adult Education Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

(2) Available reserves consist of all unassigned fund balance within the General Fund.

General Fund

Available reserves have increased by \$194,531 during the past three years and are anticipated to increase by \$16,401 through June 30, 2017. For a district of this size, the State recommends available reserves of at least 3.00 percent of total general fund expenditures, transfers out, and other uses (total outgo).

Long-Term Debt

General Obligation Bonds represent 25.49% of the total outstanding long term debt obligations of the District. The 2015 long term debt increased \$29,728,000, from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Attendance

Average Daily Attendance (ADA) has increased by 28 students or 1% during the past three years.

See the independent auditors' report and accompanying notes to supplementary information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

TABLE 4

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal Catalog (CFDA) Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Program:			
Forest Reserve	10.665	N/A	\$ 1,640
Passed through California Department of Education:			
Child Nutrition Cluster			
National School Lunch	10.555	N/A	1,322,079
Total Child Nutrition Cluster			1,322,079
Total Passed Through California Department of Education			1,322,079
Total U.S. Department of Agriculture			1,323,719
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed through California Department of Education:			
Community Economic Adjustment	12.600	N/A	5,382,875
Promoting K-12 Achievement at Military-Connected Schools	12.556	N/A	564,240
Total Passed Through California Department of Education			5,947,115
Total U.S. Department of Defense			5,947,115
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
EASA Impact Aid: Maintenance of Operations	84.041	N/A	1,733,965
Passed through California Department of Education:			
NCLB Title I	84.010	N/A	1,018,198
NCLB Title II - Improving Teacher Quality	84.367	N/A	164,755
NCLB Title III - Limited English Proficient Program	84.365	N/A	40,100
Vocational Education: Carl Perkins	84.048A	N/A	42,706
Special Education Cluster			
IDEA Part B - Pre Kindergarten Staff	84.027A	N/A	1,000
IDEA Part B - Special Education, Local Assistance	84.027A	N/A	872,536
IDEA Part B - Pre-School Local Entitlement	84.027A	N/A	34,786
IDEA Part B - Mental Health Services	84.027A	N/A	53,726
IDEA Part B - Federal Preschool Grants	84.173	N/A	28,033
IDEA Part C - Early Intervention - Early Start	84.181	N/A	25,481
Total Special Education Cluster			1,015,562
Elementary School Counseling Program	84.215E	N/A	207,141
Total Passed Through California Department of Education			2,488,462
Total U.S. Department of Education			4,222,427
<u>U.S. DEPARTMENT OF HEALTH SERVICES</u>			
Passed through California Department of Education:			
Medi-Cal Billing Option	93.778	N/A	266,275
Total Passed Through California Department of Education			266,275
Total U.S. Department of Health Services			266,275
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,759,536

See the independent auditors' report and accompanying notes to supplementary information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

TABLE 4

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sierra Sands Unified School District under programs of the federal government for the year ended June 30, 2016. 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). Because the Schedule presents only a selected portion of the operations of Sierra Sands Unified School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sierra Sands Unified School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Sierra Sands Unified School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 5
Page 1 of 2

	GENERAL FUND	SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY	SPECIAL RESERVE FUND FOR POST EMPLOYMENT BENEFITS	DEFERRED MAINTENANCE FUND	CAFETERIA FUND	CHILD DEVELOPMENT FUND	ADULT EDUCATION FUND
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 6,906,305	\$ 5,899,359	\$ 2,302,509	\$ 1,936,844	\$ 281,835	\$ 191,837	\$ 371,592
Adjustments and Reclassifications							
Increasing (Decreasing) the Fund Balance:							
Cash in County Treasury - (Overstated) Understated	-	-	-	-	-	-	-
Cash with Fiscal Agent - (Overstated) Understated	-	-	-	-	-	-	-
Accounts Receivable - (Overstated) Understated	-	-	-	-	-	(2,565)	-
Due from Other Funds - (Overstated) Understated	-	-	-	-	-	-	-
Inventory - (Overstated) Understated	-	-	-	-	-	-	-
Prepaid Expenses - (Overstated) Understated	-	-	-	-	-	-	-
Accounts Payable - Overstated (Understated)	-	-	-	-	-	-	-
Due to Other Funds - Overstated (Understated)	-	-	-	-	-	-	-
Net Adjustments and Reclassifications	-	-	-	-	-	(2,565)	-
June 30, 2016 Audited Financial Statements Fund Balances	\$ 6,906,305	\$ 5,899,359	\$ 2,302,509	\$ 1,936,844	\$ 281,835	\$ 189,272	\$ 371,592

See independent auditors' report and accompanying notes to supplementary information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 5
Page 2 of 2

	BOND INTEREST AND REDEMPTION FUND	BLEND ED COMPONENT UNIT	BLEND ED COMPONENT UNIT	BUILDING FUND	CAPITAL FACILITIES FUND	SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS	COUNTY SCHOOL FACILITIES FUND
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 1,277,681	\$ -	\$ -	\$ 1,813,903	\$ 258,028	\$ 10,523,808	\$ 4,095,524
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:							
Cash in County Treasury - (Overstated) Understated	-	-	-	-	-	-	-
Cash with Fiscal Agent - (Overstated) Understated	-	2,063,720	2,262,118	(1,712,257)	-	-	-
Accounts Receivable - (Overstated) Understated	-	-	888,507	-	-	-	-
Inventory - (Overstated) Understated	-	-	-	-	-	-	-
Prepaid Expenses - (Overstated) Understated	-	-	-	-	-	-	-
Accounts Payable - (Overstated) Understated	-	-	-	-	-	-	-
Due to Other Funds - Overstated (Understated)	-	(350,796)	(1,013,779)	-	-	-	-
Net Adjustments and Reclassifications	-	1,712,924	2,136,846	(1,712,257)	-	-	-
June 30, 2016 Audited Financial Statements Fund Balances	\$ 1,277,681	\$ 1,712,924	\$ 2,136,846	\$ 101,646	\$ 258,028	\$ 10,523,808	\$ 4,095,524

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE 6

No charter schools are chartered by Sierra Sands Unified School District.

<u>Charter Schools</u>	<u>Included in Audit ?</u>
None	N/A

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs. Average daily attendance is based on the Second Period Report for the period ending April 15, and the Annual Report for the period ending June 30.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Educational Code Section 46200 through 46206.

C. Schedule of Financial Trends and Analysis

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

D. Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards

The Uniform Guidance requires a disclosure of the financial activities of all federally funded programs. To comply with the Uniform Guidance this schedule was prepared for the District.

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

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

F. Schedule of Charter Schools

This schedule provides information as to any charter schools chartered by the District and whether these charter schools are included in the District's audit report.

NOTE 2 – KERN COUNTY CONSORTIUM PARTICIPATION

Sierra Sands Unified School District is a member of a Kern County Consortium comprised of numerous member schools. The activity of the Consortium is to receive, disburse, and account for two of the District's programs: 1) Drug Free Schools and 2) Tobacco Use Prevention Education. All funds are received directly by the Kern County Superintendent of Schools Office and are pooled together and accounted for and expended on behalf of its member districts.



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

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, 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 Sierra Sands Unified School District (the District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 13, 2016



BURKEY COX EVANS & BRADFORD

ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, California

Report on Compliance for Each Major Federal Program

We have audited Sierra Sands Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-1. Our opinion on each major federal program is not modified with respect to these matters. The District's response to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and corrective action plan*. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Sierra Sands Unified School District as of and for the year ended June 30, 2016, and have issued our report thereon dated December 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 13, 2016



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, California

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2015-16 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 the fiscal year ended June 30, 2016.

Management's Responsibility for State Compliance

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

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2015-16 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 State's audit guide, *2015-16 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 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:

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Missassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A

Sierra Sands Unified School District

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Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, & CHARTER SCHOOLS:

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Yes
Immunizations	Yes

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Sierra Sands 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2016-2.

Sierra Sands Unified School District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 compliance and the results of that testing, and not to provide an opinion of the effectiveness of the District's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the District's compliance. Accordingly, this communication is not suitable for any other purpose.

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 13, 2016

FINDINGS AND RECOMMENDATIONS

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant Deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant Deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u>	Yes	<u> </u>	No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
12.600	Community Economic Adjustment

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee Qualified as Low-Risk Auditee?	<u> X </u>	Yes	<u> </u>	No
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State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?	<u> X </u>	Yes	<u> </u>	No
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Type of auditors' report issued on compliance for state awards: Unmodified

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

There were no Financial Statement Findings or Questioned Costs.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Number: 2016-1

Finding Code: 50000

Federal Program: National School Lunch

Award Year: 2015/2016

Catalog Number: 10.555

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: California State Department of Education

Criteria: In accordance with 7 CFR section 245.6a(b) (42 USC 1758(b)(3)(D) and (H)), we are required to determine whether the District selected and verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status, by examining all of the applications that the District selected for testing purposes.

Condition: During review of the applications we noted that the District incorrectly reported two applications. The applications were recorded as reduced when they should have been paid.

Effect: The potential loss of federal funding for applications that were not accurately reported.

Cause: Overtime income was not included in the gross pay calculation.

Questioned Costs:

	Number	Amount
Population	623	\$1,322,079
Sample Size	19	\$40,320
Finding	2	\$1,105

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that the National School Lunch/Breakfast Program applications be filed in a timely and efficient manner in order to assure that the District has a complete and organized record of required documents and that the district implement a review process to decrease the level of human error when performing application verification.

Views of responsible officials and planned corrective actions:

The District agrees with this finding and will adhere to the corrective action plan on page 100 in this audit report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

Number: 2016-2

Finding Code: 10000 and 40000

Criteria: In accordance to California Education Code section 51747(b), a written record of the findings of any evaluation made pursuant to this subdivision shall be treated as a mandatory interim pupil record. Furthermore, California Education Code section 51747 (2) The objectives and methods of study for the pupil's work, and the methods utilized to evaluate that work. According to California Education Code section 51747(3) the specific resources, including materials and personnel, that will be made available to the pupil. Lastly, California Education Code section 51747(8)(A) states each written agreement shall be signed, before the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil.

Condition: An Independent Study packet for one student from Burroughs High School did not contain sample work for the independent study period of March 28, 2016 to April 5, 2016.
 An Independent Study packet for two students from Mesquite Continuation High School did not contain sample work for the independent study period of March 7, 2016 to April 5, 2016.

 An Independent Study contract for one student from Richmond Elementary was signed by the teacher on April 4, 2016; however, the student's study commenced on March 21, 2016 and ended on March 28, 2016.

 James Monroe Middle School was unable to find the independent study packet and contract agreement for one of six students selected for testwork for the independent study period of February 11, 2016 to April 26, 2016.

Effect: The potential for the loss of funds received by the District associated with the failure to comply with state guidelines.

Cause: Richmond Elementary overlooked and did not comply with the above State Compliance requirement by failing to get the contract signed prior to beginning work.

 Burroughs High School and Mesquite Continuation High School overlooked and did not comply with the above State Compliance requirement by failing to keep sample work in the folder with the independent study packet.

 James Monroe Middle School overlooked and did not comply with the above State Compliance requirement by failing to get the contract signed prior to beginning work and by failing to keep sample work. Additionally, the student selected received ADA credit under the independent study program while he was suspended from school. We have calculated the questioned costs below related to this overstatement of ADA.

Questioned Costs:

	Number	Amount
Population	4705.36	\$31,762,994
Sample Size	6.01	\$40,570
Finding	0.46	\$3,105

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-1.

Recommendation: We recommend that all independent study contracts are signed prior to the commencement of the student's study. We recommend that all independent study contracts are supported by the students' work and the work must be evaluated and graded for the student to receive attendance credit.

Views of responsible officials and planned corrective actions: The District agrees with this finding and will adhere to the corrective action plan on page 100 in this audit report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

Number: 2015-1

Finding Code: 10000 and 40000

Condition: The District's school sites are taking daily attendance. However, after a review of the attendance documents there are discrepancies in the number of students served and the totals arising from the supporting attendance records.

Recommendation: School site personnel need to reconcile the attendance and enrollment documented on the daily log sheets to the amounts reported on the Annual Attendance to assure that the information being reported is accurate and agrees to the supporting documents and records. Also, we recommend the District amend their Annual State Attendance Report.

Current Status: Not implemented. The District will adhere to the corrective action plan on page 100 in this audit report.

Reason for recurrence: New procedures were not initiated to review contracts for signing prior to the start of the contract or to ensure all contracts were supported by student work.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding: 2016-1

Name of contact person: Lori McGuire, Director of Finance & Budget.

Corrective Action: The F&R applications will be filed in a timely and efficient manner. A second stage in the verification process of all documentation received from households will be implemented. The second stage will consist of a review of each verified application with its required documents. Someone other than the initial reviewer will perform the second review.

Proposed Completion Date: Ongoing, but anticipated by December 31, 2016.

Section IV – State Award Findings and Questioned Costs

Finding: 2016-2

Name of contact person: Lori McGuire, Director of Finance & Budget.

Corrective Action: Contracts will be reviewed and new procedures will be initiated to make sure contracts are being signed prior to the start of the contract. Contracts will be reviewed and new procedures will be implemented to ensure contracts are supported by the student's work, the work is evaluated and graded for the student to receive attendance credit.

Proposed Completion Date: Ongoing, but anticipated by December 31, 2016.