

SIERRA SANDS UNIFIED SCHOOL DISTRICT

**COUNTY OF KERN
RIDGECREST, CALIFORNIA**

**AUDIT REPORT
JUNE 30, 2017**

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

INTRODUCTORY SECTION

SIERRA SANDS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE AUDIT REPORT

JUNE 30, 2017

	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis – Required Supplementary Information	4 – 12
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Position – Fiduciary Funds	19
Notes to the Financial Statements	20 – 58
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	59
Other Post Employment Benefit Plan – Schedule of Funding Progress	60
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS Pension Plan	61
Schedule of the District's Contributions – CalSTRS Pension Plan	62
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS Pension Plan	63
Schedule of the District's Contributions – CalPERS Pension Plan	64
Notes to Required Supplementary Information	65

SIERRA SANDS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE AUDIT REPORT

JUNE 30, 2017

	<u>Page No.</u>
COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS	
Combining Balance Sheet – General Fund	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	67
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	69
Special Revenue Funds	
Combining Balance Sheet – Nonmajor Special Revenue Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	71
Budgetary Comparison Schedules	
Cafeteria Fund	72
Child Development Fund	73
Debt Service Funds	
Combining Balance Sheet – Nonmajor Debt Service Fund	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Fund	75
Budgetary Comparison Schedules	
Bond Interest and Redemption Fund	76
Blended Component Unit	77
Blended Component Unit	78
Capital Projects Funds	
Combining Balance Sheet – Nonmajor Capital Project Funds	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	80
Budgetary Comparison Schedules	
Building Fund	81
Capital Facilities Fund	82
County School Facilities Fund	83
Special Reserve Fund for Capital Outlay Projects	84

SIERRA SANDS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE AUDIT REPORT JUNE 30, 2017

	<u>Page No.</u>
OTHER SUPPLEMENTARY INFORMATION	
Local Education Agency Organization Structure	85
Schedule of Average Daily Attendance	86 Table 1
Schedule of Instructional Time	87 Table 2
Schedule of Financial Trends and Analysis	88 Table 3
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	89 - 90 Table 4
Schedule of Charter Schools	91 Table 5
Schedule of Expenditures of Federal Awards	92 - 93 Table 6
Notes to the Schedule of Expenditures of Federal Awards	94
Notes to Supplementary Information	95
OTHER INDEPENDENT AUDITORS' REPORTS	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	96 – 97
Report On Compliance For Each Major Program and On Internal Control Over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	98 – 99
Independent Auditors' Report On State Compliance	100 – 102
FINDINGS AND RECOMMENDATIONS	
Schedule of Findings and Questioned Costs	103 – 108
Schedule of Prior Audit Findings	109
Corrective Action Plan	110

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, 2017, 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.

Sierra Sands Unified School District
Page 2

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, 2017, 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.

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*, 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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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.

Sierra Sands Unified School District
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the Sierra Sands Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 14, 2017

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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, 2017 was \$82,480,237 compared to \$47,982,073 on June 30, 2016.
- The District's total revenues in 2016-17 were \$92,865,405 compared to \$65,102,705 in 2015-16.
- The District's total expenses in 2016-17 were \$58,367,241 compared to \$55,727,984 in 2015-16.
- The general fund reported a balance on June 30, 2017 of \$16,606,104 compared to an ending balance of \$17,416,609 on June 30, 2016.

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

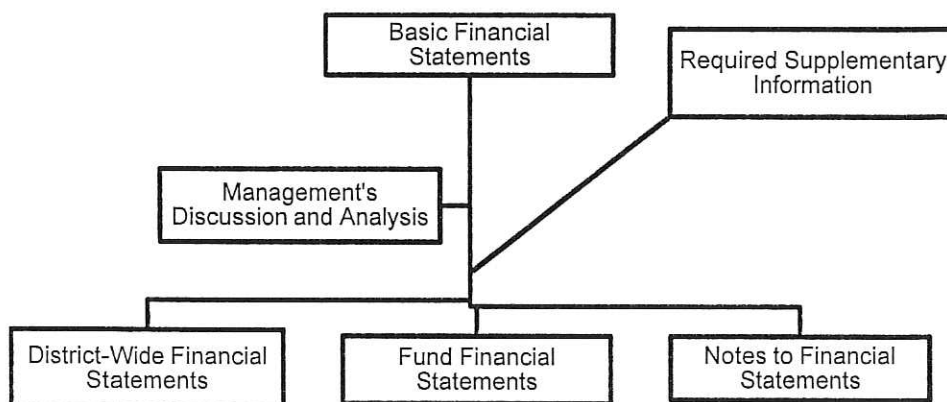


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

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

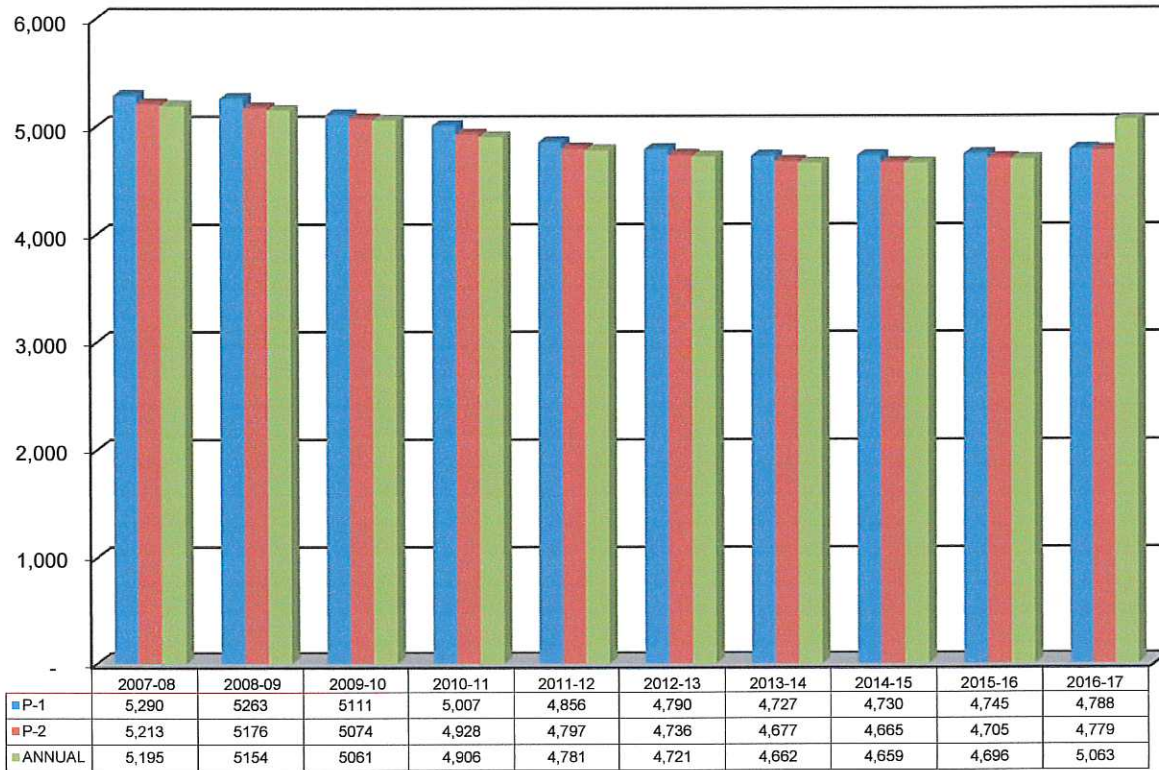
In 2016-17 the District continued its construction efforts of the BHS modernization project and the building of the new Murray Middle School. These projects are made possible through grants from the Department of Defense – Office of Economic Adjustments, which will fund 80% of the cost of each project with the district funding the remaining 20%. Projects are anticipated to be completed in summer of 2018 and fall of 2017, respectively.

Average Daily Attendance

For the second time in ten years, total Average Daily Attendance (ADA) increased from the prior year. ADA at P-2 in 2016-17 was 4779 compared to 4705 ADA at P-2 in 2015-16 and 4665 ADA at P-2 in 2014-15. 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, 2017**

Average Daily Attendance History



Net Position

The District's total net position was more (71.9%) on June 30, 2017 than it was the year before increasing by approximately \$34.5 M (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, 2017**

Table A-1: Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	Change	Percentage Change
Assets:				
Current Assets	\$ 38,938,547	\$ 46,051,857	\$ (7,113,310)	-15.4%
Capital Assets	122,917,920	85,438,655	37,479,265	43.9%
Total Assets	161,856,467	131,490,512	30,365,955	23.1%
Deferred Outflows of Resources:				
Pension	7,995,006	20,954,388	(12,959,382)	-61.8%
Total Assets and Deferred Outflows	\$ 169,851,473	\$ 152,444,900	\$ 17,406,573	11.4%
Liabilities:				
Current Liabilities	\$ 6,794,571	\$ 7,835,941	\$ (1,041,370)	-13.3%
Long-term Liabilities	78,102,748	73,793,851	4,308,897	5.8%
Total Liabilities	84,897,319	81,629,792	3,267,527	4.0%
Deferred Inflows of Resources:				
Unearned Revenues	457,917	221,743	236,174	106.5%
Pension	2,016,000	22,611,292	(20,595,292)	-91.1%
Total Deferred Inflows	2,473,917	22,833,035	(20,359,118)	-89.2%
Net Position:				
Net Investment in Capital Assets	85,361,797	45,447,823	39,913,974	87.8%
Restricted	4,334,626	10,053,756	(5,719,130)	-56.9%
Unrestricted	(7,216,186)	(7,519,506)	303,320	-4.0%
Total Net Position	82,480,237	47,982,073	34,498,164	71.9%
Total Liabilities and Net Position	\$ 169,851,473	\$ 152,444,900	\$ 17,406,573	11.4%

Changes in Net Position

The District's total revenues increased by 42.6% (See Table A-2) and reflect the new GASB reporting requirements. The District's total expenditures increased by 4.7% (See Table A-2). The District's expenses are predominantly related to instruction, instruction related services, and pupil services (63%) (See Figure A-5).

Table A-2: Condensed Statements of Activities

	June 30, 2017	June 30, 2016	Change	Percentage Change
Revenues:				
Program Revenues	\$ 40,608,511	\$ 14,290,455	\$ 26,318,056	184.2%
Charges for Services	903,065	789,268	113,797	14.4%
General Revenue	51,353,829	50,022,982	1,330,847	2.7%
Total Revenues	92,865,405	65,102,705	27,762,700	42.6%
Expenditures:				
Expenditures	58,367,241	55,727,984	2,639,257	4.7%
Total Expenditures	58,367,241	55,727,984	2,639,257	4.7%
Change in Net Position	\$ 34,498,164	\$ 9,374,721	\$ 25,123,443	268.0%

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Figure A-4: Revenues for Fiscal Year 2017

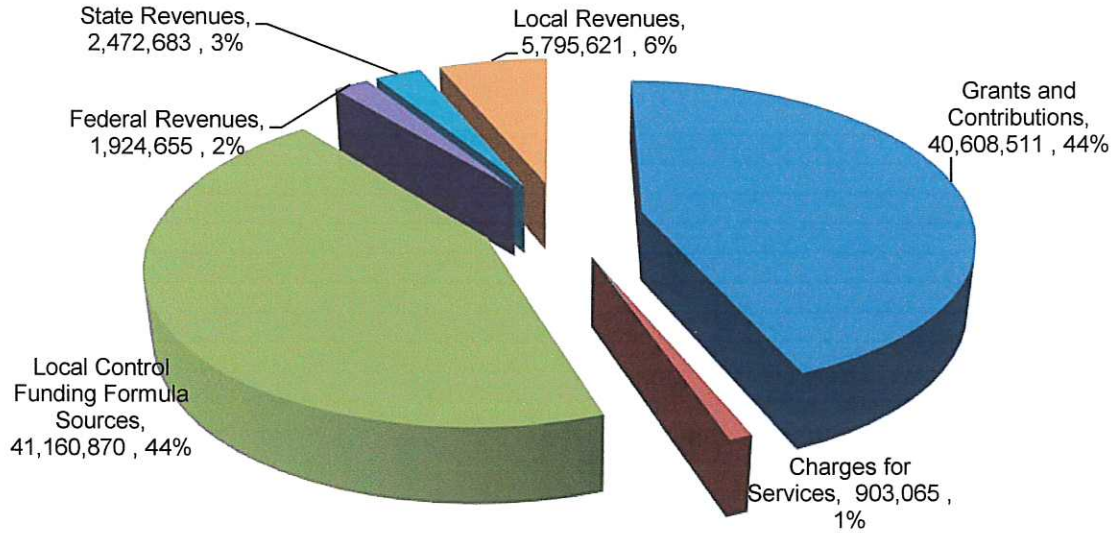
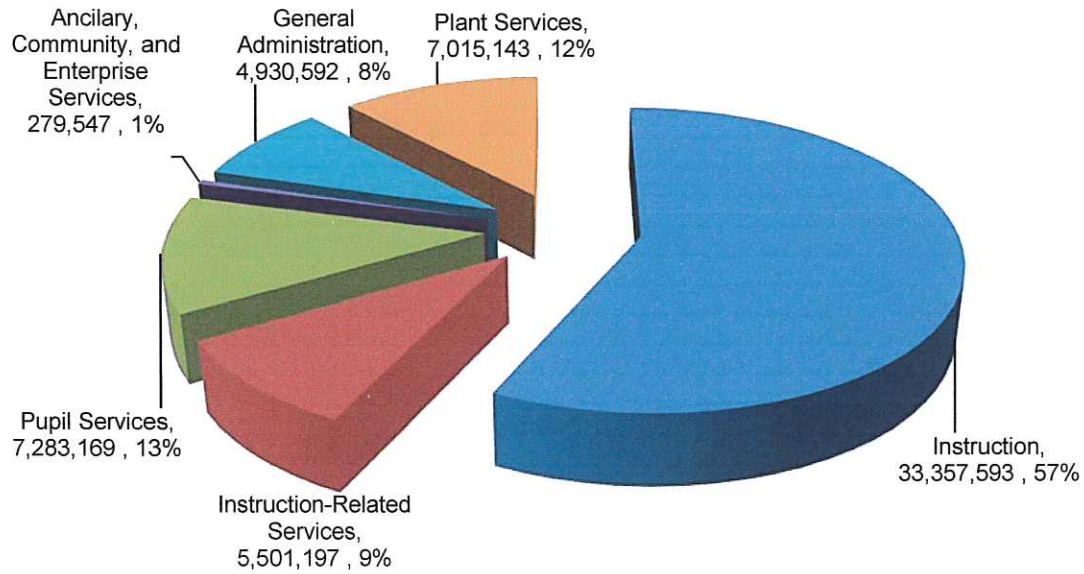


Figure A-5: Expenses for Fiscal Year 2017



**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental Activities

The cost of all governmental activities this year was \$58,367,241 (See Table A-2). Some of the costs were paid by the users of the District's programs (\$903,065). Certain programs were subsidized by operating grants/contributions (\$40,608,511). Most of the District's costs (\$51,353,829), 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 \$31.69 million, compared to \$37.99 million in 2015-16.

The total net change of all governmental fund balances equaled \$6.31 million and the change is negative.

STUDENT BODY FUND

The District continued to vigorously manage its student body funds. The District experienced no audit findings in this area in 2016-17. 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 expenses by \$727,302, the actual results for the year show expenditures exceeded revenues by \$1,822,220.

- Actual revenues were \$786,762 more than expected, due largely to more local revenues than projected.
- Actual expenditures were \$308,156 less than final budget, with a decrease of \$1,487,713 related to other outgoing costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016-17, the District had capital asset investments valued at \$155.48 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 \$32.58 million. The capital asset investments experienced a net increase (including additions and deductions) of \$37.48 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)

	2016-2017	2015-2016	Change	% Change
Sites, Buildings & Improvements	\$ 53,105,073	\$ 55,338,005	\$ (2,232,932)	-4.0%
Equipment	1,884,749	1,891,571	(6,822)	-0.4%
Work in Progress	67,928,098	28,209,079	39,719,019	140.8%
	<u>\$ 122,917,920</u>	<u>\$ 85,438,655</u>	<u>\$ 37,479,265</u>	<u>43.9%</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Long-Term Debt

The District maintains six debt obligations other than current liabilities. The first type of debt is compensated absences (i.e. employee vacations) which has an outstanding balance of \$100,532 as of June 30, 2017. 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 \$20,181,602 as of June 30, 2017. 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 \$3,230,000.

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, 2017 for the State loan is \$1,094,521. 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, 2017 is \$13,050,000. The sixth is a net pension liability of \$31,317,000, 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
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	1,363,603	598,271	1,961,874
2022-2026	7,023,009	4,647,424	11,670,433
2027-2031	5,973,849	9,286,649	15,260,498
2032-2036	1,458,468	5,914,826	7,373,294
Totals	<u>\$ 20,181,602</u>	<u>\$ 22,989,155</u>	<u>\$ 43,170,757</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 on the next page. 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, 2017**

Table A-5: Lease Revenue Bond

Year Ending June 30,	Principal	Interest	Total
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	185,000	107,383	292,383
2023-2027	1,060,000	414,440	1,474,440
2028-2032	1,305,000	171,061	1,476,061
Totals	<u>\$ 3,230,000</u>	<u>\$ 1,191,816</u>	<u>\$ 4,421,816</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:

- Once the Local Control Funding Formula (LCFF) has been fully implemented, future increases in funding are expected to be based on COLA only.
- The budget is driven by the Local Control Accountability Plan (LCAP). Future budget considerations will include increased demand on resources in terms of new and improved services to students to close the achievement gap.
- 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, 2017

ASSETS:

Cash in County Treasury	\$ 21,354,991
Cash on Hand and in Banks	80,000
Cash in Revolving Fund	40,000
Cash with a Fiscal Agent/Trustee	1,715,319
Accounts Receivable	15,642,298
Stores Inventories	105,939
Capital Assets (Net)	<u>122,917,920</u>
Total Assets	<u>161,856,467</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension Deferrals	<u>7,995,006</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 169,851,473</u>

LIABILITIES:

Accounts Payable	6,794,571
Noncurrent Liabilities:	
Due within one year	4,242,166
Due in more than one year	<u>73,860,582</u>
Total Liabilities	<u>84,897,319</u>

DEFERRED INFLOWS OF RESOURCES:

Pension Deferrals	2,016,000
Unearned Revenue	<u>457,917</u>
Total Deferred Inflows of Resources	<u>2,473,917</u>

NET POSITION:

Net Investment in Capital Assets	85,361,797
Restricted For:	
Debt Service	3,047,507
Capital Projects	842,626
Special Revenue	444,493
Unrestricted (Deficit)	<u>(7,216,186)</u>
Total Net Position	<u>\$ 82,480,237</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Instruction	\$ 33,357,593	\$ -	\$ 4,493,216	\$ (28,864,377)
Instruction-Related Services	5,501,197	-	745,077	(4,756,120)
Pupil Services	7,283,169	476,406	2,014,906	(4,791,857)
Ancillary Services	257,114	-	32,767	(224,347)
Community Services	2,112	-	271	(1,841)
Enterprise	20,321	-	2,607	(17,714)
General Administration	4,930,592	26,465	400,741	(4,503,386)
Plant Services	7,015,143	400,194	32,918,926	26,303,977
Total Governmental Activities	<u>\$ 58,367,241</u>	<u>\$ 903,065</u>	<u>\$ 40,608,511</u>	<u>(16,855,665)</u>
General Revenues				
LCFF Sources				41,160,870
Federal Revenues				1,924,655
State Revenues				2,472,683
Local Revenues				<u>5,795,621</u>
Total General Revenues				<u>51,353,829</u>
Change in Net Position				34,498,164
Net Position - Beginning				<u>47,982,073</u>
Net Position - Ending				<u>\$ 82,480,237</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, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 15,254,833	\$ 2,658,826	\$ 3,441,332	\$ 21,354,991
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	-	-	1,715,319	1,715,319
Accounts Receivable	1,241,728	14,081,043	319,527	15,642,298
Due from Other Funds	6,438,281	1,772,753	290	8,211,324
Stores Inventories	76,408	-	29,531	105,939
Total Assets	<u>\$ 23,116,250</u>	<u>\$ 18,512,622</u>	<u>\$ 5,520,999</u>	<u>\$ 47,149,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 4,911,047	\$ 1,767,293	\$ 116,231	\$ 6,794,571
Due to Other Funds	1,172,763	6,000,000	1,038,561	8,211,324
Total Liabilities	<u>6,083,810</u>	<u>7,767,293</u>	<u>1,154,792</u>	<u>15,005,895</u>
Deferred Inflows of Resources:				
Unearned Revenue	426,336	-	31,581	457,917
Total Deferred Inflows of Resources	<u>426,336</u>	<u>-</u>	<u>31,581</u>	<u>457,917</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	40,000	-	-	40,000
Stores Inventories	76,408	-	29,531	105,939
Restricted	1,767,032	3,415,593	247,243	5,429,868
Committed	11,462,272	7,329,736	4,057,852	22,849,860
Unassigned:				
Reserve for Economic Uncertainty	2,704,143	-	-	2,704,143
Other Unassigned	556,249	-	-	556,249
Total Fund Balance	<u>16,606,104</u>	<u>10,745,329</u>	<u>4,334,626</u>	<u>31,686,059</u>
Total Liabilities and Fund Balances	<u>\$ 23,116,250</u>	<u>\$ 18,512,622</u>	<u>\$ 5,520,999</u>	<u>\$ 47,149,871</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, 2017

Total Fund Balances of Governmental Funds	\$	31,686,059
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Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation	122,917,920
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Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions and not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred Inflows of Resources - Pensions	(2,016,000)
Deferred Outflows of Resources - Pensions	7,995,006

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including all long-term liabilities, are reported. Long-term liabilities relating to governmental activities are:

Compensated Absences	(100,532)
State of California Contract	(1,094,521)
General Obligation Bonds	(20,181,602)
Lease Revenue Bonds	(3,230,000)
Certificates of Participation	(13,050,000)
Other Employment Benefit Obligations	(9,129,093)
Net Pension Liability	(31,317,000)
Total Long-term Liabilities	<u>(78,102,748)</u>

Total Net Position of Governmental Activities	\$	<u>82,480,237</u>
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SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionments	\$ 30,258,273	\$ -	\$ -	\$ 30,258,273
Education Protection Account Funds	6,490,849	-	-	6,490,849
Local Sources	4,411,748	-	-	4,411,748
Federal Revenue	4,575,134	31,774,403	1,282,230	37,631,767
Other State Revenue	6,372,356	-	935,456	7,307,812
Other Local Revenue	2,793,675	48,150	3,222,292	6,064,117
Total Revenues	<u>54,902,035</u>	<u>31,822,553</u>	<u>5,439,978</u>	<u>92,164,566</u>
Expenditures:				
Instruction	32,034,784	-	378,787	32,413,571
Instruction - Related Services	5,444,380	-	56,817	5,501,197
Pupil Services	4,571,275	-	1,940,714	6,511,989
Ancillary Services	257,114	-	-	257,114
Community Services	2,112	-	-	2,112
Enterprise	20,321	-	-	20,321
General Administration	3,088,594	-	13,596	3,102,190
Plant Services	7,661,844	36,116,915	3,323,155	47,101,914
Debt Service:				
Principal	-	316,743	2,117,966	2,434,709
Interest	-	56,101	1,761,928	1,818,029
Total Expenditures	<u>53,080,424</u>	<u>36,489,759</u>	<u>9,592,963</u>	<u>99,163,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,821,611</u>	<u>(4,667,206)</u>	<u>(4,152,985)</u>	<u>(6,998,580)</u>
Other Financing Sources (Uses):				
Transfers In	917,614	4,888,727	2,351,198	8,157,539
Transfers Out	(3,539,357)	-	(4,618,182)	(8,157,539)
Other Sources	-	-	700,839	700,839
Other Uses	(10,373)	-	-	(10,373)
Total Other Financing Sources (Uses)	<u>(2,632,116)</u>	<u>4,888,727</u>	<u>(1,566,145)</u>	<u>690,466</u>
Net Change in Fund Balance	(810,505)	221,521	(5,719,130)	(6,308,114)
Fund Balance, July 1	17,416,609	10,523,808	10,053,756	37,994,173
Fund Balance, June 30	<u>\$ 16,606,104</u>	<u>\$ 10,745,329</u>	<u>\$ 4,334,626</u>	<u>\$ 31,686,059</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (6,308,114)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

Capital Outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlay Expenditures	40,086,771
Depreciation Expense	(2,607,506)

Compensated Absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between amounts paid and earned were:	(10,351)
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Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(1,106,255)
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Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	2,008,910
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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	337,742
General Obligation Bonds	841,967
Lease Revenue Bonds	155,000
Certificates of Participation	1,100,000

Change in Net Position of Governmental Activities	\$ 34,498,164
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The accompanying notes are an integral part of this statement.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund
	Student Body
	Fund
ASSETS:	
Cash on Hand and in Banks	\$ 478,212
Total Assets	<u>\$ 478,212</u>
LIABILITIES:	
Due to Student Groups	\$ 478,212
Total Liabilities	<u>478,212</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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sierra Sands Joint Unified School District (“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 (GAAP) 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

• 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.

• 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, 2017. The value of the real property was not determinable, as governmental property in Inyo County is not assessed.

This Inyo-Kern Schools Financing Authority 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) fees, fines, and 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, are presented as general revenues.

Fund Financial Statements:

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental 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 general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.
 - a. Adult Education Fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.
 - b. Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes.
 - c. Special Reserve Fund for Other Than Capital Outlay is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay.
 - d. Special Reserve Fund for Postemployment Benefits is used to account for amounts committed for the future cost of postemployment benefits but not yet contributed irrevocably to a separate trust for the postemployment benefit plan.
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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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.

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.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The District reports the following fund types:

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

D. Measurement Focus, 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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting (Continued)

(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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. 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. 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.

G. Deposits and Investments

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

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Kern County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deposits and Investments (Continued)

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars investing in derivatives with Kern County Treasury was not available.

H. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at cost using the weighted average method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets. Inventories of the General Fund are immaterial and have been omitted from these statements.

The District has the option of reporting an expenditure in governmental funds for prepaid items when purchased or during the benefit period. The District has chosen to report the expenditure when incurred.

I. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at estimated fair value at the date 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.

Capitalized assets are being depreciated 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

J. Receivables and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates these balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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.

L. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

M. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

N. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District.

O. 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 another 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.

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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Accrued Liabilities and Long-Term Debt Obligations

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.

P. Net Position

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net assets represent 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.

Q. Fund Balance

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amount that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes these constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for a specific purpose for which amounts had been restricted, committed or assigned.

Reserve for Economic Uncertainties - represents the amounts 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Fund Balance (Continued)

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.

R. 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.

S. 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.

T. 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

U. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. 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 a recurring or nonrecurring fair value measurements.

W. Changes in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB 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 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 Multiple-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 scope of this Statement includes OPEB plans—defined benefit and defined contribution-administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Changes in Accounting Policies

GASB Statement No. 77 Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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

1. 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.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

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 did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Changes in Accounting Policies (Continued)

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73 (Continued)

require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions.

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," 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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2017, expenditures exceeded final appropriations in individual funds as follows:

<u>Fund</u>	<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	Certificated Salaries	\$ 455,147
	Classified Salaries	94,157
	Direct Support/Indirect Cost	1,565
	Capital Outlay	669,247
	Transfers Out	2,258,679
	Other Uses	10,373
Cafeteria Fund:	Employee Benefits	52,460
Child Development Fund:	Books and Supplies	8,074
	Capital Outlay	16,248
	Debt Service: Principle	21,000
Bond Interest and Redemption Fund:	Principal	841,966
	Interest and Fiscal Charges	666,020
Blended Component Unit:	Principal	1,255,000
	Interest and Fiscal Charges	1,095,908
	Transfers Out	700,839
Blended Component Unit:	Transfers Out	2,817,343
Capital Facilities Fund:	Services and Other Operating Expenditures	148,838
Capital Outlay Projects:	Books and Supplies	145,885
	Services and Other Operating Expenditures	989,235
	Capital Outlay	34,981,796
	Principal	316,742
	Interest and Fiscal Charges	56,101
County School Facilities Fund:	Services and Other Operating Expenditures	500
	Capital Outlay	3,163,695
	Transfers Out	1,100,000

NOTE 4 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2017:

	<u>Governmental Funds</u>
Cash on Hand and in Banks	\$ 120,000
Pooled Investments - Kern County Treasury	21,354,991
Cash with Fiscal Agent	1,715,319
Total	<u>\$ 23,190,310</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, 2017

NOTE 4 – 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, 2017:

<u>Investments by Fair Value Level</u>	<u>6/30/2017</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>Debt Securities</i>				
U.S. Treasury Notes	\$ 297,300	\$ -	\$ 297,300	\$ -
Money Market Funds	1,418,019	-	1,418,019	-
Total Debt Securities	1,715,319	-	1,715,319	-
 Total Investments by Fair Value Level	 1,715,319	 \$ -	 \$ 1,715,319	 \$ -

Investments Measured at the Net Asset Value (NAV)

Pooled Investments - Kern County	
Treasury	21,354,991
Total Investments Measured at the NAV	21,354,991
Total Investments Measured at Fair Value	\$ 23,070,310

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⁾	\$ 21,354,991	-	Daily	1 Day
Total Investments Measured at the NAV	\$ 21,354,991			

⁽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, 2017

NOTE 4 – 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		20% of the base value of the	
Lending Agreements	92 days	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, 2017

NOTE 4 – 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.

Investments at June 30, 2017, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
Cash on Hand and in Banks	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Kern County Investment Pool	21,252,551	21,354,991	6,948,914	14,406,077
Cash with Fiscal Agent	1,715,319	1,715,319	1,715,319	-
Total	<u>\$ 23,087,870</u>	<u>\$ 23,190,310</u>	<u>\$ 8,784,233</u>	<u>\$ 14,406,077</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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – CASH AND INVESTMENTS (Continued)

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, 2017, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Ratings AAA
Cash on Hand and in Banks	\$ 120,000	N/A	\$ 120,000	-
Kern County Investment Pool	21,354,991	N/A	21,354,991	-
Cash with Fiscal Agent	1,715,319	N/A	1,715,319	-
Total	\$ 23,190,310		\$ 23,190,310	

NOTE 5 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2017, consist of the following:

	Governmental Funds			
	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Federal Government:				
Federal Financial				
Assistance Programs	\$ 498,563	\$ 14,081,043	\$ 164,176	\$ 14,743,782
Total Federal	498,563	14,081,043	164,176	14,743,782
State Government:				
State Financial				
Assistance Programs	622,083	-	51,174	673,257
Total State	622,083	-	51,174	673,257
Local Receivables:				
Local Sources	86,170	-	96,484	182,654
Interest Receivable	34,912	-	7,693	42,605
Total Local	121,082	-	104,177	225,259
Total Accounts Receivable	\$ 1,241,728	\$ 14,081,043	\$ 319,527	\$ 15,642,298

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2017, are shown below:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Non-depreciable Capital Assets				
Land	\$ 174,529	\$ -	\$ -	\$ 174,529
Work in Progress	28,209,079	39,719,019	-	67,928,098
Total Non-depreciable Capital Assets	28,383,608	39,719,019	-	68,102,627
Depreciable Capital Assets				
Buildings and Improvements	80,400,065	-	-	80,400,065
Machinery and Equipment	6,605,135	367,752	-	6,972,887
Total Depreciable Capital Assets	87,005,200	367,752	-	87,372,952
Less: Accumulated Depreciation:				
Buildings and Improvements	(25,236,589)	(2,232,932)		(27,469,521)
Machinery and Equipment	(4,713,564)	(374,574)	-	(5,088,138)
Total Accumulated Depreciation	(29,950,153)	(2,607,506)	-	(32,557,659)
Net Depreciable Capital Assets	57,055,047	(2,239,754)	-	54,815,293
Total Capital Assets, Net	\$ 85,438,655	\$ 37,479,265	\$ -	\$ 122,917,920

Depreciation Expense was Charged to Governmental Activities as follows:

Instruction	\$ 1,836,326
Transportation	771,180
Total Depreciation Expenses	<u>\$ 2,607,506</u>

NOTE 7 – 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, 2017, are as follows:

Due From	Due To	Amount
General Fund	Special Reserve for Postemployment Benefits	\$ 136,275
General Fund	Cafeteria Fund	300,633
General Fund	Child Development Fund	1,085
General Fund	Adult Education	288
Special Reserve for Other Than Capital Outlay	Special Reserve for Capital Outlay	4,000,000
Special Reserve for Postemployment Benefits	Special Reserve for Capital Outlay	2,000,000
Special Reserve for Capital Outlay	General Fund	1,008,256
Special Reserve for Capital Outlay	Deferred Maintenance Fund	27,654
Special Reserve for Capital Outlay	Blended Component Unit	736,843
Cafeteria Fund	General Fund	290
	Total	<u>8,211,324</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers – Consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2016/2017 fiscal year:

	Transfers In	Transfers Out	Amount
1. General Fund		Special Reserve for Postemployment Benefits	\$ 136,275
2. General Fund		Blended Component Unit	700,839
3. General Fund		Blended Component Unit	80,500
4. Cafeteria Fund		General Fund	290
5. Special Reserve for Capital Outlay		General Fund	2,151,884
6. Special Reserve for Capital Outlay		Blended Component Unit	2,736,843
7. Blended Component Unit		County Schools Facilities Fund	1,100,000
8. Blended Component Unit		General Fund	1,250,908
		Total	<u>8,157,539</u>

1. Reimbursement of expenditures for future postemployment benefits.
2. Debt service.
3. Reimbursement of capital expenditures.
4. Cafeteria support.
5. Reimbursement of capital expenditures.
6. Reimbursement of capital expenditures.
7. Debt service.
8. Debt service.

NOTE 8 – 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:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 329,922	\$ 42,921	\$ 372,843
2019	343,650	29,193	372,843
2020	357,949	14,894	372,843
2021	-	-	-
2022	-	-	-
Totals	<u>\$ 1,031,521</u>	<u>\$ 87,008</u>	<u>\$ 1,118,529</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 21,000	\$ -	\$ 21,000
2019	21,000	-	21,000
2020	21,000	-	21,000
2021	-	-	-
2022	-	-	-
Totals	<u>\$ 63,000</u>	<u>\$ -</u>	<u>\$ 63,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 350,922	\$ 42,921	\$ 393,843
2019	364,650	29,193	393,843
2020	378,949	14,894	393,843
2021	-	-	-
2022	-	-	-
Totals	<u>\$ 1,094,521</u>	<u>\$ 87,008</u>	<u>\$ 1,181,529</u>

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,100,000	583,875	1,683,875
2023-2027	7,550,000	1,593,000	9,143,000
Totals	<u>\$ 13,050,000</u>	<u>\$ 5,254,875</u>	<u>\$ 18,304,875</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2017, the principal balance of the General Obligation Bonds – Election 2006 was \$14,912,868. The principal and interest repayment of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,300,000	268,249	1,568,249
2023-2027	6,216,436	2,691,440	8,907,876
2028-2032	3,251,432	6,543,568	9,795,000
Totals	<u>\$ 14,912,868</u>	<u>\$ 11,083,415</u>	<u>\$ 25,996,283</u>

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, 2017, the principal balance of the General Obligation Bonds – Series 2008 was \$5,268,734. The principal and interest repayment of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	63,603	330,022	393,625
2023-2027	806,573	1,955,984	2,762,557
2028-2032	2,722,417	2,743,081	5,465,498
2033-2037	1,458,468	5,914,826	7,373,294
Totals	<u>\$ 5,268,734</u>	<u>\$ 11,905,740</u>	<u>\$ 17,174,474</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,363,603	598,271	1,961,874
2023-2027	7,023,009	4,647,424	11,670,433
2028-2032	5,973,849	9,286,649	15,260,498
2033-2037	1,458,468	5,914,826	7,373,294
Totals	<u>\$ 20,181,602</u>	<u>\$ 22,989,155</u>	<u>\$ 43,170,757</u>

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 01, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
General Obligation Bonds Election 2006	\$ 15,712,868	\$ -	\$ (800,000)	\$ 14,912,868
General Obligation Bonds Series 2008	5,310,701	-	(41,967)	5,268,734
Total Long-Term Obligations	<u>\$ 21,023,569</u>	<u>\$ -</u>	<u>\$ (841,967)</u>	<u>\$ 20,181,602</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.

The outstanding Lease Revenue Bonds of Inyo-Kern Schools Financing Authority at June 30, 2017, is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Redeemed in</u>	<u>Outstanding</u>
			<u>July 1, 2016</u>	<u>Current Year</u>	<u>June 30, 2017</u>
3/1/2007	4.00 to 4.20%	5/1/2032	<u>\$ 3,385,000</u>	<u>\$ 155,000</u>	<u>\$ 3,230,000</u>

The annual requirements to amortize these Lease Revenue Bonds payable outstanding at June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	185,000	107,383	292,383
2023-2027	1,060,000	414,440	1,474,440
2028-2032	1,305,000	171,061	1,476,061
Totals	<u>\$ 3,230,000</u>	<u>\$ 1,191,816</u>	<u>\$ 4,421,816</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – LONG-TERM DEBT SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2017, is shown below:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Debt Obligations:					
State of California Contract	\$ 1,432,263	\$ -	\$ (337,742)	\$ 1,094,521	\$ 350,922
General Obligation Bonds	21,023,569	-	(841,967)	20,181,602	941,242
Lease Revenue Bonds	3,385,000	-	(155,000)	3,230,000	160,000
Certificates of Participation	14,150,000	-	(1,100,000)	13,050,000	1,100,000
Total Debt Obligations	39,990,832	-	(2,434,709)	37,556,123	2,552,164
Employment Benefit Obligations:					
Compensated Absences	90,181	10,351	-	100,532	-
Retiree Health Benefits	8,022,838	2,451,907	(1,345,652)	9,129,093	1,690,002
Net Pension Liability	25,690,000	5,627,000	-	31,317,000	-
Total Employment Benefit Obligations	33,803,019	8,089,258	(1,345,652)	40,546,625	1,690,002
Total Long-Term Obligations	<u>\$ 73,793,851</u>	<u>\$ 8,089,258</u>	<u>\$ (3,780,361)</u>	<u>\$ 78,102,748</u>	<u>\$ 4,242,166</u>

NOTE 10 – 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.

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, 2017 was \$58,255. 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:

Year Ending June 30,	Amount
2018	\$ 53,577
2019	39,170
2020	-
2021	-
Totals	<u>\$ 92,747</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – 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, 2017 are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013	Before Jan. 1, 2013	On or After Jan. 1, 2013
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
Monthly benefits, as a % of eligible contributions	1.1 – 2.4%	1.0 – 2.4% *	1.1 – 2.5%	1.0 – 2.5%
Required employee contribution rates (at June 30, 2017)	9.20%	8.56%**	6.974%	6.974%
Required employer contribution rates (at June 30, 2017)	10.73%	10.73%	11.847%	11.847%
Required state contribution rates (at June 30, 2017)	5.679%	5.679%	-	-

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

C. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for the fiscal year ended June 30, 2017). In addition, the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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.

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, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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, 2016 (measurement date), the State contributed 5.679% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	\$ 1,032,980
2016	7.126%	\$ 1,263,813
2017	5.649%	\$ 727,657

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

D. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions – Employer (Measurement Period)	\$ 828,200	\$ 866,896	\$ 1,695,096
Contributions – State On Behalf Payments (Fiscal Year).	1,263,813	-	1,263,813
Total Contributions	<u>\$ 2,092,013</u>	<u>\$ 866,896</u>	<u>\$ 2,958,909</u>

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

As of June 30, 2017, 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 \$	19,331,000
CalPERS	11,986,000
Total Net Pension Liability \$	<u>31,317,000</u>

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2016 and 2017 were as follows:

	CalSTRS			CalPERS		
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	District's Proportionate Share	State's Proportionate Share	Total for District Employees
Proportion - June 30, 2016	0.024%	0.013%	0.037%	0.0630%	-	0.0630%
Proportion - June 30, 2017	0.024%	0.014%	0.038%	0.0607%	-	0.0607%
Change in Proportion	-	0.001%	0.001%	-0.0023%	-	-0.0023%

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

A. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Pension Costs	\$ 174,106	\$ 441,863	\$ 615,969
Interest on Total Pension Liability	573,000	1,400,721	1,973,721
Administrative (and Other Non-Investment) Expenses	5,780	8,894	14,674
Member Contributions	(87,646)	(219,077)	(306,723)
Expected Investment Return Net of Investment Expenses	(426,520)	(1,105,934)	(1,532,454)
Recognition of Deferred Inflows/Outflows of Resources:			
Recognition of Economic/Demographic (Gains) or Losses	(10,670)	-	(10,670)
Recognition of Investment (Gains) or Losses	4,150	110,640	114,790
Recognized Changes in Assumptions	-	(80,385)	(80,385)
Recognized Difference Between Expected and Actual Experience	-	101,177	101,177
Net Plan to Plan Resource Movement	-	(3)	(3)
Total Pension Expense	<u>\$ 232,200</u>	<u>\$ 657,896</u>	<u>\$ 890,096</u>

B. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 1,837,698	\$ 1,061,308	\$ 2,899,006
Differences between actual and expected experience	-	515,000	515,000
Net difference between projected and actual earnings on plan investments	1,537,000	3,044,000	4,581,000
Total Deferred Outflows of Resources	<u>\$ 3,374,698</u>	<u>\$ 4,620,308</u>	<u>\$ 7,995,006</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

B. Deferred Outflows and Inflows of Resources (Continued)

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Changes in assumptions	\$ -	\$ 360,000	\$ 360,000
Differences between actual and expected experience	472,000		
Net difference between projected and actual earnings on plan investments	-	1,184,000	1,184,000
Total Deferred Inflows of Resources	<u>\$ 472,000</u>	<u>\$ 1,544,000</u>	<u>\$ 1,544,000</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Outflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 33,000	\$ 1,091,000	\$ 86,000	\$ 781,000	\$ 257,000
2019	33,000	1,074,000	86,000	763,000	258,000
2020	894,000	909,000	86,000	-	1,717,000
2021	577,000	485,000	86,000	-	976,000
2022	-	-	86,000	-	(86,000)
Thereafter	-	-	42,000	-	(42,000)
Total	<u>\$ 1,537,000</u>	<u>\$ 3,559,000</u>	<u>\$ 472,000</u>	<u>\$ 1,544,000</u>	<u>\$ 3,080,000</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age – Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
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	7.60% (2)	7.65% (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

D. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. 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.

The CalPERS discount rate was increased from 7.5% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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.

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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

D. Discount Rate (Continued)

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 was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

<u>Asset Class</u>	<u>Assumed Allocation</u> <u>06-30-2017</u>	<u>Long Term Expected</u> <u>Return*</u>
Global Equity	47.00%	6.30%
Private Equity	13.00%	9.30%
Real Estate	13.00%	5.20%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Fixed Income	12.00%	0.30%
Liquidity	2.00%	-1.00%

*20 year geometric average was used for long-term expected rate of return

CalPERS

<u>Asset Class</u>	<u>Assumed Allocation</u> <u>6/30/2017</u>	<u>Real Return (Years 1-10) (1)</u>	<u>Real Return (Years 11+) (2)</u>
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-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, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

E. 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:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.65%
Net Pension Liability	\$27,823,000	\$17,884,000
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$19,331,000	\$11,986,000
1% Increase	8.60%	8.65%
Net Pension Liability	\$12,280,000	\$7,076,000

F. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	<u>Increase (Decrease)</u>				
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	<u>State's Share of Net Pension Liability (c)</u>	<u>District's Share of Net Pension Liability (a) - (b) - (c)</u>
Balance at June 30, 2016 (Previously Reported)	\$ 97,206,000	\$ 71,953,000	\$ 25,253,000	\$ 9,162,000	\$ 16,091,000
Changes for the year:					
Service Cost	2,203,000		2,203,000	799,000	1,404,000
Interest on Total Pension Liability	7,251,000		7,251,000	2,631,000	4,620,000
Effect of Economic/ Demographic Gains or Losses	(452,000)		(452,000)	(164,000)	(288,000)
Benefit Payments	(4,901,000)	(4,901,000)	-	-	-
Refund of Contributions	(32,000)	(32,000)	-	-	-
Administrative expenses		(66,000)	66,000	24,000	42,000
Member Contribution		1,109,000	(1,109,000)	(402,000)	(707,000)
Employer Contribution (District)		1,272,000	(1,272,000)	(461,000)	(811,000)
Employer Contribution (State)		728,000	(728,000)	(264,000)	(464,000)
Net Investment Income		880,000	(880,000)	(320,000)	(560,000)
Other Changes		(6,000)	6,000	2,000	4,000
Net Changes	4,069,000	(1,016,000)	5,085,000	1,845,000	3,240,000
Balance at June 30, 2017	\$ 101,275,000	\$ 70,937,000	\$ 30,338,000	\$ 11,007,000	\$ 19,331,000

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

F. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability (Continued)

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 43,485,000	\$ 34,539,000	\$ 8,946,000
Changes for the year:			
Service Cost	1,042,000		1,042,000
Interest on Total Pension Liability	3,303,000		3,303,000
Differences between expected and actual experience	243,000		243,000
Contributions - Employer	-	871,000	(871,000)
Contributions - Employee	-	517,000	(517,000)
Net Investment Income	-	181,000	(181,000)
Benefit Payments	(2,153,000)	(2,153,000)	-
Administrative expenses	-	(21,000)	21,000
Net Changes	2,435,000	(605,000)	3,040,000
Balance at June 30, 2017	\$ 45,920,000	\$ 33,934,000	\$ 11,986,000

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

In addition to the pension benefits described in Note 11, 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).

B. 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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

C. 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.

The Board of Trustees reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

D. 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, 2017, the amount actually contributed to the plan, and changes in the District's New OPEB Obligation/(Assets):

Item	FYE 06/30/17
Annual Required Contributions	\$ 2,451,907
Contributions Made	(1,345,652)
Increase (Decrease) in New OPEB Obligation/(Asset)	1,106,255
Net OPEB Obligation/(Asset) - Beginning of Year	8,022,838
New OPEB Obligation/(Asset) - End of Year	<u>\$ 9,129,093</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, 2017, and the preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2017	\$ 2,451,907	\$ 1,345,652	54.88%	\$ 9,129,093
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

E. 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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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

E. Actuarial Methods of Assumptions (Continued)

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 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

B. State and Federal Allowances, Awards and Grants

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

C. 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.

D. Early Retirement

The District has adopted an early retirement incentive program. No contracts were entered with eligible employees during the current fiscal year.

NOTE 14 – 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15- 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, 2017, was \$20,898.

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.

The financial statements are available upon request from Self-Insured Schools of California, PO Box 1847, Bakersfield, CA 93303-1847.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 15- JOINT VENTURES (JOINT POWERS AGREEMENT) (Continued)

Condensed Financial Information

Condensed financial information for SISC I, SISC II for the year ended June 30, 2016, (latest information available) and SISC III for the year ended September 30, 2016, (latest information available) is as follows:

	SISC I	SISC II	SISC III
Total Assets	\$ 87,325,754	\$ 54,758,957	\$ 430,046,455
Total Liabilities	(58,957,872)	(33,220,060)	(167,458,724)
Retained Earnings / (Deficit)	\$ 28,367,882	\$ 21,538,897	\$ 262,587,731
Total Revenues	\$ 27,330,487	\$ 21,016,398	\$ 1,902,860,920
Total Expenditures	(21,009,923)	(23,329,164)	(1,837,098,521)
Net Increase (Decrease) in Fund Balance	\$ 6,320,564	\$ (2,312,766)	\$ 65,762,399

NOTE 16 – FUND EQUITY

The following is a summary of nonspendable, restricted, assigned and unassigned fund balances at June 30, 2017:

	General Fund	Special Reserve for Capital Outlay Projects	Other Governmental Funds
Nonspendable:			
Revolving Cash	\$ 40,000	\$ -	\$ -
Stores Inventory	76,408	-	29,531
Total Nonspendable Balances	116,408	-	29,531
Restricted for:			
Medi-Cal Billing Options	183,531	-	-
California Clean Energy Jobs Act	875,476	-	-
Educator Effectiveness	200,060	-	-
Lottery: Instructional Materials	367,197	-	-
College Readiness Block Grant	55,817	-	-
Adult Education Block Grant Program	-	-	136,207
Child Development: Center-Based Reserve Account	-	-	31,580
Child Nutrition Program	-	-	47,618
Other Restricted Federal	-	3,773	-
Other Restricted Local	84,951	3,411,820	31,838
Total Restricted Balances	1,767,032	3,415,593	247,243
Committed to:			
2017 Fiscal Stabilization Plan	11,462,272	7,329,736	4,057,852
Unassigned:			
Reserve for economic uncertainties	2,704,143	-	-
Unassigned	556,249	-	-
Total Fund Balances	\$ 16,606,104	\$ 10,745,329	\$ 4,334,626

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 – SUBSEQUENT EVENTS

Implementation of New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No 81 - Irrevocable Split Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements -- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 – SUBSEQUENT EVENTS (Continued)

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and "negative" goodwill.
3. Classifying real estate held by insurance entities.
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 – SUBSEQUENT EVENTS (Continued)

GASB Statement No. 86 - Certain Debt Extinguishment Issues (Continued)

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

Financial impact of implementing GASB Statement No. 86 has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionments	\$ 29,535,816	\$ 30,719,561	\$ 30,258,273	\$ (461,288)
Education Protection Account Funds	6,227,189	6,656,611	6,490,849	(165,762)
Local Sources	3,755,092	3,879,018	4,411,748	532,730
Federal Revenue	4,256,819	4,965,729	4,575,134	(390,595)
Other State Revenue	6,263,737	6,221,192	6,372,356	151,164
Other Local Revenue	457,300	1,673,162	2,793,675	1,120,513
Total Revenues	<u>50,495,953</u>	<u>54,115,273</u>	<u>54,902,035</u>	<u>786,762</u>
Expenditures:				
Certificated Salaries	20,536,604	20,786,031	21,241,178	455,147
Classified Salaries	7,130,312	7,310,469	7,404,626	94,157
Employee Benefits	13,450,921	13,515,495	13,365,991	(149,504)
Books and Supplies	3,376,413	4,612,476	3,870,084	(742,392)
Services and Other Operating Expenditures	5,002,523	5,343,269	5,278,484	(64,785)
Other Outgoing	570,982	570,982	-	(570,982)
Direct Support/Indirect Costs	(96,536)	(6,536)	(4,971)	1,565
Capital Outlay	301,265	1,255,785	1,925,032	669,247
Total Expenditures	<u>50,272,484</u>	<u>53,387,971</u>	<u>53,080,424</u>	<u>(307,547)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>223,469</u>	<u>727,302</u>	<u>1,821,611</u>	<u>1,094,309</u>
Other Financing Sources (Uses):				
Transfers In	136,275	136,275	917,614	781,339
Transfers Out	(136,275)	(1,280,678)	(3,539,357)	(2,258,679)
Other Sources (Uses)	-	-	(10,373)	(10,373)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,144,403)</u>	<u>(2,632,116)</u>	<u>(1,487,713)</u>
Net Change in Fund Balance	223,469	(417,101)	(810,505)	(393,404)
Fund Balance, July 1	17,416,609	17,416,609	17,416,609	-
Fund Balance, June 30	<u>\$ 17,640,078</u>	<u>\$ 16,999,508</u>	<u>\$ 16,606,104</u>	<u>\$ (393,404)</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2017

The funded status of the plan as of June 30, 2017, 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 JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
CALSTRS PENSION PLAN
LAST TEN FISCAL YEARS*

	Fiscal Year	
	2017	2015
District's proportion of the net pension liability	0.038%	0.037%
District's proportionate share of the net pension liability	\$ 19,331,000	\$ 16,399,000
State's proportionate share of the net pension liability		
associated with the District	11,007,000	8,672,000
Total	\$ 30,338,000	\$ 25,071,000
District's covered-employee payroll	\$ 20,107,071	\$ 19,399,203
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151%	129%
Plan fiduciary net position as a percentage of the total pension liability	70%	77%

* 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 auditor's report.

SIERRA SANDS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
CALSTRS PENSION PLAN
LAST TEN FISCAL YEARS*

	Fiscal Year		
	2017	2016	2015
Contractually required contributions	\$ 2,093,013	\$ 1,683,214	\$ 1,445,075
Contributions in relation to the contractually required contributions	(2,093,013)	(1,683,214)	(1,445,075)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 20,107,071	\$ 19,399,203	\$ 18,698,688
Contributions as a percentage of covered-employee payroll	10%	9%	8%

*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 auditor's report.

SIERRA SANDS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
CALPERS PENSION PLAN
LAST TEN FISCAL YEARS*

	Fiscal Year	
	2017	2016
District's proportion of the net pension liability	0.0607%	0.0630%
District's proportionate share of the net pension liability	\$ 11,986,000	\$ 9,291,000
District's covered-employee payroll	\$ 7,751,435	\$ 7,578,535
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155%	123%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%
		83%

* 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 auditor's report.

SIERRA SANDS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
CALPERS PENSION PLAN
LAST TEN FISCAL YEARS*

	Fiscal Year		
	2017	2016	2015
Contractually required contributions	\$ 866,896	\$ 820,758	\$ 713,878
Contributions in relation to the contractually required contributions	(866,896)	(820,758)	(713,878)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,751,435	\$ 7,578,535	\$ 6,721,877
Contributions as a percentage of covered-employee payroll	11%	11%	11%

*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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CALSTRS AND CALPERS PENSION PLANS
JUNE 30, 2017

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, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age – Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
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	7.60% (2)	7.65% (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, 2017

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
ASSETS:						
Cash in County Treasury	\$ 11,693,969	\$ 1,899,359	\$ 320,344	\$ 916,580	\$ 424,581	\$ 15,254,833
Cash on Hand and in Banks	65,000	-	-	-	-	65,000
Cash in Revolving Fund	40,000	-	-	-	-	40,000
Accounts Receivable	1,228,201	-	6,689	3,276	3,562	1,241,728
Due from Other Funds	438,281	4,000,000	2,000,000	-	-	6,438,281
Prepays	-	-	-	-	-	-
Stores Inventories	76,408	-	-	-	-	76,408
Total Assets	<u>\$ 13,541,859</u>	<u>\$ 5,899,359</u>	<u>\$ 2,327,033</u>	<u>\$ 919,856</u>	<u>\$ 428,143</u>	<u>\$ 23,116,250</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:						
Liabilities:						
Accounts Payable	\$ 4,900,108	\$ -	\$ -	\$ -	\$ 10,939	\$ 4,911,047
Due to Other Funds	1,008,546	-	136,275	27,654	288	1,172,763
Total Liabilities	<u>5,908,654</u>	<u>-</u>	<u>136,275</u>	<u>27,654</u>	<u>11,227</u>	<u>6,083,810</u>
Deferred Inflows of Resources:						
Unearned Revenue	426,336	-	-	-	-	426,336
Total Deferred Inflows	<u>426,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,336</u>
Fund Balance:						
Nonspendable Fund Balances:						
Revolving Cash	40,000	-	-	-	-	40,000
Stores Inventories	76,408	-	-	-	-	76,408
Restricted	1,767,032	-	-	-	-	1,767,032
Committed	2,063,037	5,899,359	2,190,758	892,202	416,916	11,462,272
Unassigned:						
Reserve for Economic Uncertainty	2,704,143	-	-	-	-	2,704,143
Other Unassigned	556,249	-	-	-	-	556,249
Total Fund Balance	<u>7,206,869</u>	<u>5,899,359</u>	<u>2,190,758</u>	<u>892,202</u>	<u>416,916</u>	<u>16,606,104</u>
Total Liabilities and Fund Balances	<u>\$ 13,541,859</u>	<u>\$ 5,899,359</u>	<u>\$ 2,327,033</u>	<u>\$ 919,856</u>	<u>\$ 428,143</u>	<u>\$ 23,116,250</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
Revenues:						
LCFF Sources:						
State Apportionments	\$ 30,258,273	\$ -	\$ -	\$ -	\$ -	\$ 30,258,273
Education Protection Account Funds	6,490,849	-	-	-	-	6,490,849
Local Sources	3,946,024	-	-	465,724	-	4,411,748
Federal Revenue	4,575,134	-	-	-	-	4,575,134
Other State Revenue	6,149,606	-	-	-	222,750	6,372,356
Other Local Revenue	2,746,768	-	24,524	14,042	8,341	2,793,675
Total Revenues	54,166,654	-	24,524	479,766	231,091	54,902,035
Expenditures:						
Instruction	31,949,073	-	-	-	85,711	32,034,784
Instruction - Related Services	5,346,603	-	-	-	97,777	5,444,380
Pupil Services	4,571,275	-	-	-	-	4,571,275
Ancillary Services	255,444	-	-	-	1,670	257,114
Community Services	2,112	-	-	-	-	2,112
Enterprise	20,321	-	-	-	-	20,321
General Administration	3,088,594	-	-	-	-	3,088,594
Plant Services	6,136,827	-	-	1,524,408	609	7,661,844
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	51,370,249	-	-	1,524,408	185,767	53,080,424
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,796,405	-	24,524	(1,044,642)	45,324	1,821,611
Other Financing Sources (Uses):						
Transfers In	917,614	-	-	-	-	917,614
Transfers Out	(3,403,082)	-	(136,275)	-	-	(3,539,357)
Other Uses	-	-	-	-	-	-
Other Sources	(10,373)	-	-	-	-	(10,373)
Total Other Financing Sources (Uses)	(2,495,841)	-	(136,275)	-	-	(2,632,116)
Net Change in Fund Balance	300,564	-	(111,751)	(1,044,642)	45,324	(810,505)
Fund Balance, July 1	6,906,305	5,899,359	2,302,509	1,936,844	371,592	17,416,609
Fund Balance, June 30	\$ 7,206,869	\$ 5,899,359	\$ 2,190,758	\$ 892,202	\$ 416,916	\$ 16,606,104

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 630,473	\$ 2,064,627	\$ 746,232	\$ 3,441,332
Cash on Hand and in Banks	15,000	-	-	15,000
Cash with a Fiscal Agent/Trustee	-	1,715,319	-	1,715,319
Accounts Receivable	218,228	4,404	96,895	319,527
Due from Other Funds	290	-	-	290
Stores Inventories	29,531	-	-	29,531
Total Assets	<u>\$ 893,522</u>	<u>\$ 3,784,350</u>	<u>\$ 843,127</u>	<u>\$ 5,520,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 115,730	\$ -	\$ 501	\$ 116,231
Due to Other Funds	301,718	736,843	-	1,038,561
Total Liabilities	<u>417,448</u>	<u>736,843</u>	<u>501</u>	<u>1,154,792</u>
Deferred Inflows of Resources:				
Unearned Revenue	31,581	-	-	31,581
Total Deferred Inflows	<u>31,581</u>	<u>-</u>	<u>-</u>	<u>31,581</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	29,531	-	-	29,531
Restricted Fund Balance	247,243	-	-	247,243
Committed Fund Balance	167,719	3,047,507	842,626	4,057,852
Total Fund Balance	<u>444,493</u>	<u>3,047,507</u>	<u>842,626</u>	<u>4,334,626</u>
Total Liabilities and Fund Balances	<u>\$ 893,522</u>	<u>\$ 3,784,350</u>	<u>\$ 843,127</u>	<u>\$ 5,520,999</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 1,282,230	\$ -	\$ -	\$ 1,282,230
Other State Revenue	569,753	28,472	337,231	935,456
Other Local Revenue	542,149	2,216,913	463,230	3,222,292
Total Revenues	<u>2,394,132</u>	<u>2,245,385</u>	<u>800,461</u>	<u>5,439,978</u>
Expenditures:				
Instruction	378,787	-	-	378,787
Instruction - Related Services	56,817	-	-	56,817
Pupil Services	1,940,714	-	-	1,940,714
General Administration	4,362	-	9,234	13,596
Plant Services	19,356	-	3,303,799	3,323,155
Debt Service:				
Principal	21,000	2,096,966	-	2,117,966
Interest	-	1,761,928	-	1,761,928
Total Expenditures	<u>2,421,036</u>	<u>3,858,894</u>	<u>3,313,033</u>	<u>9,592,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,904)</u>	<u>(1,613,509)</u>	<u>(2,512,572)</u>	<u>(4,152,985)</u>
Other Financing Sources (Uses):				
Transfers In	290	2,350,908	-	2,351,198
Transfers Out	-	(3,518,182)	(1,100,000)	(4,618,182)
Other Sources	-	700,839	-	700,839
Total Other Financing Sources (Uses)	<u>290</u>	<u>(466,435)</u>	<u>(1,100,000)</u>	<u>(1,566,145)</u>
Net Change in Fund Balance	(26,614)	(2,079,944)	(3,612,572)	(5,719,130)
Fund Balance, July 1	471,107	5,127,451	4,455,198	10,053,756
Fund Balance, June 30	<u>\$ 444,493</u>	<u>\$ 3,047,507</u>	<u>\$ 842,626</u>	<u>\$ 4,334,626</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	\$ 429,320	\$ 201,153	\$ 630,473
Cash on Hand and in Banks	15,000	-	15,000
Accounts Receivable	177,776	40,452	218,228
Due from Other Funds	290	-	290
Stores Inventories	29,531	-	29,531
Total Assets	<u>\$ 651,917</u>	<u>\$ 241,605</u>	<u>\$ 893,522</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 98,490	\$ 17,240	\$ 115,730
Due to Other Funds	300,633	1,085	301,718
Total Liabilities	<u>399,123</u>	<u>18,325</u>	<u>417,448</u>
Deferred Inflows of Resources:			
Unearned Revenue	-	31,581	31,581
Total Deferred Inflows of Resources	<u>-</u>	<u>31,581</u>	<u>31,581</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	29,531	-	29,531
Restricted Fund Balance	223,263	23,980	247,243
Committed Fund Balance	-	167,719	167,719
Total Fund Balance	<u>252,794</u>	<u>191,699</u>	<u>444,493</u>
Total Liabilities and Fund Balances	<u>\$ 651,917</u>	<u>\$ 241,605</u>	<u>\$ 893,522</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, 2017

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ 1,282,230	\$ -	\$ 1,282,230
Other State Revenue	98,156	471,597	569,753
Other Local Revenue	531,309	10,840	542,149
Total Revenues	<u>1,911,695</u>	<u>482,437</u>	<u>2,394,132</u>
Expenditures:			
Instruction	-	378,787	378,787
Instruction - Related Services	-	56,817	56,817
Pupil Services	1,940,714	-	1,940,714
General Administration	-	4,362	4,362
Plant Services	312	19,044	19,356
Debt Service:			
Principal	-	21,000	21,000
Total Expenditures	<u>1,941,026</u>	<u>480,010</u>	<u>2,421,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,331)</u>	<u>2,427</u>	<u>(26,904)</u>
Other Financing Sources (Uses):			
Transfers In	290	-	290
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>290</u>	<u>-</u>	<u>290</u>
Net Change in Fund Balance	(29,041)	2,427	(26,614)
Fund Balance, July 1	281,835	189,272	471,107
Fund Balance, June 30	<u>\$ 252,794</u>	<u>\$ 191,699</u>	<u>\$ 444,493</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CAFETERIA FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ 1,328,500	\$ 1,282,230	\$ (46,270)
Other State Revenue	108,645	98,156	(10,489)
Other Local Revenue	495,000	531,309	36,309
Total Revenues	<u>1,932,145</u>	<u>1,911,695</u>	<u>(20,450)</u>
Expenditures:			
Classified Salaries	716,588	684,750	(31,838)
Employee Benefits	377,392	429,852	52,460
Books and Supplies	848,476	796,280	(52,196)
Services and Other Operating Expenditures	36,250	30,144	(6,106)
Direct Support/Indirect Costs	-	-	-
Total Expenditures	<u>1,978,706</u>	<u>1,941,026</u>	<u>(37,680)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,561)</u>	<u>(29,331)</u>	<u>17,230</u>
Other Financing Sources (Uses):			
Transfers In	-	290	290
Total Other Financing Sources (Uses)	<u>-</u>	<u>290</u>	<u>290</u>
Net Change in Fund Balance	(46,561)	(29,041)	17,520
Fund Balance, July 1	281,835	281,835	-
Fund Balance, June 30	<u>\$ 235,274</u>	<u>\$ 252,794</u>	<u>\$ 17,520</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CHILD DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ -	\$ -	\$ -
Other State Revenue	571,582	471,597	(99,985)
Other Local Revenue	4,300	10,840	6,540
Total Revenues	<u>575,882</u>	<u>482,437</u>	<u>(93,445)</u>
Expenditures:			
Certificated Salaries	5,556	5,556	-
Classified Salaries	-	-	-
Employee Benefits	1,641	1,638	(3)
Books and Supplies	10,000	18,074	8,074
Services and Other Operating Expenditures	497,581	413,132	(84,449)
Capital Outlay	-	16,248	16,248
Direct Support/Indirect Costs	6,537	4,362	(2,175)
Debt Service:			
Principal	-	21,000	21,000
Total Expenditures	<u>521,315</u>	<u>480,010</u>	<u>(41,305)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,567</u>	<u>2,427</u>	<u>(52,140)</u>
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	54,567	2,427	(52,140)
Fund Balance, July 1	189,272	189,272	-
Fund Balance, June 30	<u>\$ 243,839</u>	<u>\$ 191,699</u>	<u>\$ (52,140)</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2017

	Bond Interest and Redemption	Blended Component Unit	Blended Component Unit	Total Nonmajor Debt Service Funds
ASSETS:				
Cash in County Treasury	\$ 1,327,367	\$ -	\$ 737,260	\$ 2,064,627
Cash with Fiscal Agent/Trustee	-	1,715,319	-	1,715,319
Accounts Receivable	-	-	4,404	4,404
Total Assets	<u>\$ 1,327,367</u>	<u>\$ 1,715,319</u>	<u>\$ 741,664</u>	<u>\$ 3,784,350</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Due to Other Funds	-	-	736,843	736,843
Total Liabilities	<u>-</u>	<u>-</u>	<u>736,843</u>	<u>736,843</u>
Fund Balance:				
Committed Fund Balance	1,327,367	1,715,319	4,821	3,047,507
Total Fund Balance	<u>1,327,367</u>	<u>1,715,319</u>	<u>4,821</u>	<u>3,047,507</u>
Total Liabilities and Fund Balances	<u>\$ 1,327,367</u>	<u>\$ 1,715,319</u>	<u>\$ 741,664</u>	<u>\$ 3,784,350</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, 2017

	Bond Interest and Redemption	Blended Component Unit	Blended Component Unit	Total Nonmajor Debt Service Funds
Revenues:				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Other State Revenue	28,472	-	-	28,472
Other Local Revenue	1,529,200	2,395	685,318	2,216,913
Total Revenues	<u>1,557,672</u>	<u>2,395</u>	<u>685,318</u>	<u>2,245,385</u>
Expenditures:				
Debt Service:				
Principal	841,966	1,255,000	-	2,096,966
Interest	666,020	1,095,908	-	1,761,928
Total Expenditures	<u>1,507,986</u>	<u>2,350,908</u>	<u>-</u>	<u>3,858,894</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>49,686</u>	<u>(2,348,513)</u>	<u>685,318</u>	<u>(1,613,509)</u>
Other Financing Sources (Uses):				
Transfers In	-	2,350,908	-	2,350,908
Transfers Out	-	(700,839)	(2,817,343)	(3,518,182)
Other Sources	-	700,839	-	700,839
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,350,908</u>	<u>(2,817,343)</u>	<u>(466,435)</u>
Net Change in Fund Balance	49,686	2,395	(2,132,025)	(2,079,944)
Fund Balance, July 1	<u>1,277,681</u>	<u>1,712,924</u>	<u>2,136,846</u>	<u>5,127,451</u>
Fund Balance, June 30	<u>\$ 1,327,367</u>	<u>\$ 1,715,319</u>	<u>\$ 4,821</u>	<u>\$ 3,047,507</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, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Other State Revenue	\$ -	\$ 28,472	\$ 28,472
Other Local Revenue	-	1,529,200	1,529,200
Total Revenues	-	1,557,672	1,557,672
Expenditures:			
Debt Service:			
Principal	-	841,966	841,966
Interest	-	666,020	666,020
Total Expenditures	-	1,507,986	1,507,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	49,686	49,686
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	49,686	49,686
Fund Balance, July 1	1,277,681	1,277,681	-
Fund Balance, June 30	\$ 1,277,681	\$ 1,327,367	\$ 49,686

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUNDS
BLENDED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ -	\$ -	\$ -
Other Local Revenue	-	2,395	2,395
Total Revenues	-	2,395	2,395
Expenditures:			
Debt Service:			
Principal	-	1,255,000	1,255,000
Interest	-	1,095,908	1,095,908
Total Expenditures	-	2,350,908	2,350,908
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,348,513)	(2,348,513)
Other Financing Sources (Uses):			
Transfers In	-	2,350,908	2,350,908
Transfers Out	-	(700,839)	(700,839)
Other Sources	-	700,839	700,839
Total Other Financing Sources (Uses)	-	2,350,908	2,350,908
Net Change in Fund Balance	-	2,395	2,395
Fund Balance, July 1	1,712,924	1,712,924	-
Fund Balance, June 30	<u>\$ 1,712,924</u>	<u>\$ 1,715,319</u>	<u>\$ 2,395</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, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 685,318	\$ 685,318
Total Revenues	-	685,318	685,318
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	685,318	685,318
Other Financing Sources (Uses):			
Transfers Out	-	(2,817,343)	(2,817,343)
Total Other Financing Sources (Uses)	-	(2,817,343)	(2,817,343)
Net Change in Fund Balance	-	(2,132,025)	(2,132,025)
Fund Balance, July 1	2,136,846	2,136,846	-
Fund Balance, June 30	<u>\$ 2,136,846</u>	<u>\$ 4,821</u>	<u>\$ (2,132,025)</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	\$ 102,423	\$ 446,659	\$ 197,150	\$ 746,232
Accounts Receivable	307	93,367	3,221	96,895
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 102,730</u>	<u>\$ 540,026</u>	<u>\$ 200,371</u>	<u>\$ 843,127</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ 500	\$ 1	\$ 501
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>500</u>	<u>1</u>	<u>501</u>
Fund Balance:				
Restricted Fund Balance	-	-	-	-
Committed Fund Balance	102,730	539,526	200,370	842,626
Total Fund Balance	<u>102,730</u>	<u>539,526</u>	<u>200,370</u>	<u>842,626</u>
Total Liabilities and Fund Balances	<u>\$ 102,730</u>	<u>\$ 540,026</u>	<u>\$ 200,371</u>	<u>\$ 843,127</u>

See independent auditors' report.

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, 2017

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Other State Revenue	-	-	337,231	337,231
Other Local Revenue	1,084	430,336	31,810	463,230
Total Revenues	<u>1,084</u>	<u>430,336</u>	<u>369,041</u>	<u>800,461</u>
Expenditures:				
General Administration	-	9,234	-	9,234
Plant Services	-	139,604	3,164,195	3,303,799
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>148,838</u>	<u>3,164,195</u>	<u>3,313,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,084</u>	<u>281,498</u>	<u>(2,795,154)</u>	<u>(2,512,572)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(1,100,000)	(1,100,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>
Net Change in Fund Balance	1,084	281,498	(3,895,154)	(3,612,572)
Fund Balance, July 1	101,646	258,028	4,095,524	4,455,198
Fund Balance, June 30	<u>\$ 102,730</u>	<u>\$ 539,526</u>	<u>\$ 200,370</u>	<u>\$ 842,626</u>

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUNDS
 BUILDING FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 1,084	\$ 1,084
Total Revenues	-	1,084	1,084
Expenditures:			
Books and Supplies	-	-	-
Services and Other Operating Expenditures	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,084	1,084
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	1,084	1,084
Fund Balance, July 1	101,646	101,646	-
Fund Balance, June 30	\$ 101,646	\$ 102,730	\$ 1,084

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
CAPITAL FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ 200,000	\$ 430,336	\$ 230,336
Total Revenues	<u>200,000</u>	<u>430,336</u>	<u>230,336</u>
Expenditures:			
Services and Other Operating Expenditures	-	148,838	148,838
Total Expenditures	<u>-</u>	<u>148,838</u>	<u>148,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>200,000</u>	<u>281,498</u>	<u>81,498</u>
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	200,000	281,498	81,498
Fund Balance, July 1	258,028	258,028	-
Fund Balance, June 30	<u>\$ 458,028</u>	<u>\$ 539,526</u>	<u>\$ 81,498</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, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Other State Revenue	\$ -	\$ 337,231	\$ 337,231
Other Local Revenue	-	31,810	31,810
Total Revenues	-	369,041	369,041
Expenditures:			
Classified Salaries	-	-	-
Employee Benefits	-	-	-
Services and Other Operating Expenditures	-	500	500
Capital Outlay	-	3,163,695	3,163,695
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	-	3,164,195	3,164,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,795,154)	(2,795,154)
Other Financing Sources (Uses):			
Transfers Out	-	(1,100,000)	(1,100,000)
Total Other Financing Sources (Uses)	-	(1,100,000)	(1,100,000)
Net Change in Fund Balance	-	(3,895,154)	(3,895,154)
Fund Balance, July 1	4,095,524	4,095,524	-
Fund Balance, June 30	\$ 4,095,524	\$ 200,370	\$ (3,895,154)

See independent auditors' report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
CAPITAL OUTLAY PROJECTS
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ -	\$ 31,774,403	\$ 31,774,403
Other Local Revenue	40,000	48,150	8,150
Total Revenues	<u>40,000</u>	<u>31,822,553</u>	<u>31,782,553</u>
Expenditures:			
Books and Supplies	-	145,885	145,885
Services and Other Operating Expenditures	-	989,235	989,235
Capital Outlay	-	34,981,796	34,981,796
Debt Service:			
Principal	-	316,742	316,742
Interest	-	56,101	56,101
Total Expenditures	<u>-</u>	<u>36,489,759</u>	<u>36,489,759</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,000</u>	<u>(4,667,206)</u>	<u>(4,707,206)</u>
Other Financing Sources (Uses):			
Transfers In	1,144,403	4,888,727	3,744,324
Total Other Financing Sources (Uses)	<u>1,144,403</u>	<u>4,888,727</u>	<u>3,744,324</u>
Net Change in Fund Balance	1,184,403	221,521	(962,882)
Fund Balance, July 1	10,523,808	10,523,808	-
Fund Balance, June 30	<u>\$ 11,708,211</u>	<u>\$ 10,745,329</u>	<u>\$ (962,882)</u>

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

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 2016/2017 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>
Tim Johnson	President	December 2018
Amy Covert	Vice President/Clerk	December 2018
Michael Scott	Member	December 2020
Bill Farris	Member	November 2020
Kurt Rockwell	Member	December 2018

ADMINISTRATION

Ernie Bell
Superintendent

Dave Ostash
Assistant Superintendent, Human Resources

Michelle Savko
Assistant Superintendent, Curriculum and Instruction

Christina Giraldo
Assistant Superintendent, Business Services

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

TABLE 1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,538.49	N/A	1,538.26	N/A
Extended Year Special Education	1.66	N/A	1.66	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
TK/K-3 Totals	<u>1,540.15</u>	<u>-</u>	<u>1,539.92</u>	<u>-</u>
Grades 4-6:				
Regular ADA	1,070.46	N/A	1,071.00	N/A
Extended Year Special Education	1.33	N/A	1.33	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
Grades 4-6 Totals	<u>1,071.79</u>	<u>-</u>	<u>1,072.33</u>	<u>-</u>
Grades 7 and 8:				
Regular ADA	751.83	N/A	750.04	N/A
Extended Year Special Education	0.68	N/A	0.68	N/A
Nonpublic, Nonsectarian Schools	-	-	-	-
Extended Year - Nonpublic	-	-	-	-
Grades 7 and 8 Totals	<u>752.51</u>	<u>-</u>	<u>750.72</u>	<u>-</u>
Grades 9-12:				
Regular ADA	1,412.30	N/A	1,401.19	N/A
Extended Year Special Education	1.51	N/A	1.51	N/A
Nonpublic, Nonsectarian Schools	0.95	-	0.96	-
Extended Year - Nonpublic	-	-	-	-
Grades 9-12 Totals	<u>1,414.76</u>	<u>-</u>	<u>1,403.66</u>	<u>-</u>
ADA Totals	<u><u>4,779.21</u></u>	<u><u>-</u></u>	<u><u>4,766.63</u></u>	<u><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, 2017

TABLE 2

Grade Level	Ed. Code 46207 Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	56,430	180	Complied
Grade 1	50,400	54,060	180	Complied
Grade 2	50,400	54,060	180	Complied
Grade 3	50,400	54,060	180	Complied
Grade 4	54,000	54,060	180	Complied
Grade 5	54,000	54,060	180	Complied
Grade 6	54,000	65,713	180	Complied
Grade 7	54,000	65,713	180	Complied
Grade 8	54,000	65,713	180	Complied
Grade 9	64,800	65,382	180	Complied
Grade 10	64,800	65,382	180	Complied
Grade 11	64,800	65,382	180	Complied
Grade 12	64,800	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, 2017

TABLE 3

GENERAL FUND (1)	2018	2017	2016	2015
Revenues and Other Financial Sources	\$ 54,251,548	\$ 55,084,268	\$ 52,966,519	\$ 47,240,779
Expenditures	53,387,971	51,370,249	47,170,100	46,008,429
Other Uses and Transfers Out	1,280,678	3,413,455	2,591,422	2,654,488
Total Outgo	54,668,649	54,783,704	49,761,522	48,662,917
Change in Fund Balance (Deficit)	(417,101)	300,564	3,204,997	(1,422,138)
Ending Fund Balance	\$ 6,789,768	\$ 7,206,869	\$ 6,906,305	\$ 3,701,308
Available Reserves (2)	\$ 2,617,434	\$ 3,260,392	\$ 2,486,886	2,433,146
Available Reserves as a Percentage of Total Outgo	4.79%	5.95%	5.00%	5.00%
State Recommended Available Reserve Percentage	5.00%	5.00%	5.00%	5.00%
Available Reserves Over (Under) State Recommended Reserve Percentage	-0.21%	0.95%	0.00%	0.00%
Total Long-Term Debt	\$ 73,860,582	\$ 78,102,748	\$ 73,793,851	\$ 77,882,963
Average Daily Attendance at P-2	4,779	4,779	4,705	4,665

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 \$270,997 during the past three years and are anticipated to decrease by \$86,709 through June 30, 2018. 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

Total long-term debt increased \$219,785 during the past three years. The District had \$37,556,123 in debt obligations, which represents 48.09% of the total long-term debt obligations.

Attendance

Average Daily Attendance (ADA) has increased by 113 students or 2.4% during the past three years.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TABLE 4
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, 2017 Annual Financial and Budget Report Fund Balances	\$ 7,206,869	\$ 5,899,359	\$ 2,190,758	\$ 892,202	\$ 77,149	\$ 189,883	\$ 416,916
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:							
Accounts Receivable - (Overstated) Understated	-	-	-	-	175,645	(2,565)	-
Deferred Revenue - Overstated (Understated)	-	-	-	-	-	4,381	-
Net Adjustments and Reclassifications	-	-	-	-	175,645	1,816	-
June 30, 2017 Audited Financial Statements Fund Balances	\$ 7,206,869	\$ 5,899,359	\$ 2,190,758	\$ 892,202	\$ 252,794	\$ 191,699	\$ 416,916

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, 2017

TABLE 4
Page 2 of 2

	BOND INTEREST AND REDEMPTION FUND	BLENDED COMPONENT UNIT	BLENDED COMPONENT UNIT	BUILDING FUND	CAPITAL FACILITIES FUND	SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS	COUNTY SCHOOL FACILITIES FUND
June 30, 2017 Annual Financial and Budget Report Fund Balances	\$ 1,327,367	\$ -	\$ -	\$ 1,815,085	\$ 539,526	\$ 10,745,329	\$ 200,370
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:							
Cash with Fiscal Agent - (Overstated) Understated	-	1,715,319	737,260	(1,712,355)	-	-	-
Accounts Receivable - (Overstated) Understated	-	-	4,404	-	-	-	-
Due to Other Funds - Overstated (Understated)	-	-	(736,843)	-	-	-	-
Net Adjustments and Reclassifications	-	1,715,319	4,821	(1,712,355)	-	-	-
June 30, 2016 Audited Financial Statements Fund Balances	\$ 1,327,367	\$ 1,715,319	\$ 4,821	\$ 102,730	\$ 539,526	\$ 10,745,329	\$ 200,370

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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

TABLE 5

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 JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

TABLE 6

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Special Education Cluster (IDEA)-Cluster</i>		
Department of Education		
Special Education_Grants to States		
Special Education_Grants to States	84.027	\$ 996,027
Total Special Education_Grants to States		996,027
Special Education_Preschool Grants		
Special Education_Preschool Grants	84.173	29,144
Total Special Education_Preschool Grants		29,144
<i>Total Department of Education</i>		1,025,171
<i>Total Special Education Cluster (IDEA)-Cluster</i>		1,025,171
<i>Other Programs</i>		
Department of Defense		
DOD Community Investment		
DOD Community Investment	12.600	31,774,403
Total DOD Community Investment		31,774,403
<i>Total Department of Defense</i>		31,774,403
Department of Education		
Title I Grants to Local Educational Agencies		
Title I Grants to Local Educational Agencies	84.010	1,208,757
Total Title I Grants to Local Educational Agencies		1,208,757
Impact Aid		
Impact Aid	84.041	1,824,733
Total Impact Aid		1,824,733

SIERRA SANDS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
Career and Technical Education -- Cal Perkins-- Basic Grants to States		
Career and Technical Education -- Cal Perkins-- Basic Grants to States	84.048	<u>50,989</u>
Total Career and Technical Education -- Cal Perkins-- Basic Grants to States		50,989
Special Education-Grants for Infants and Families		
Special Education-Grants for Infants and Families	84.181	<u>25,481</u>
Total Special Education-Grants for Infants and Families		25,481
Fund for the Improvement of Education - Counseling Grant		
Fund for the Improvement of Education - Counseling Grant	84.215	<u>40,916</u>
Total Fund for the Improvement of Education - Counseling Grant		40,916
English Language Acquisition State Grants		
English Language Acquisition State Grants	84.365	<u>46,715</u>
Total English Language Acquisition State Grants		46,715
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)		
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	<u>91,126</u>
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)		<u>91,126</u>
<i>Total Department of Education</i>		3,288,717
Department of Health and Human Services		
Medical Assistance Program		
Medical Assistance Program	93.778	<u>260,679</u>
Total Medical Assistance Program		<u>260,679</u>
<i>Total Department of Health and Human Services</i>		260,679
United States Department of Agriculture		
National School Lunch Program		
National School Lunch Program	10.555	<u>1,282,230</u>
Total National School Lunch Program		1,282,230
Schools and Roads - Grants to States (Forest Reserve)		
Schools and Roads - Grants to States (Forest Reserve)	10.665	<u>567</u>
Total Schools and Roads - Grants to States (Forest Reserve)		<u>567</u>
<i>Total United States Department of Agriculture</i>		<u>567</u>
<i>Total Other Programs</i>		<u>36,606,596</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$ 37,631,767</u></u>

See 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, 2017

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. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These 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, if any, 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
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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. 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.

E. 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.

F. 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.

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:

Drug Free Schools
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.

OTHER INDEPENDENT AUDITORS' REPORTS



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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, 2017, and the related notes to financial statements, which collectively comprise Sierra Sands Joint Unified School District's basic financial statements and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sierra Sands Joint Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

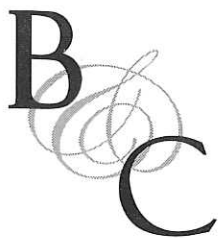
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity'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 14, 2017



BURKEY COX EVANS & BRADFORD

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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 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, 2017. 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 Sierra Sands Joint Unified School Districts 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 Sierra Sands Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In our opinion, Sierra Sands Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Sierra Sands Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sierra Sands Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sierra Sands Joint Unified School District's internal control over compliance.

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

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

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

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 14, 2017



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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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 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, 2017.

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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	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, 2017.

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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as Items 2017-001 and 2017-002.

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.

**BURKEY COX
EVANS & BRADFORD**

ACCOUNTANCY CORPORATION

Sierra Sands Unified School District

Page 3

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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 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 14, 2017

FINDINGS AND RECOMMENDATIONS

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant Deficiencies identified that are 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	

Federal Awards

Internal control over major programs:			
One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant Deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?			
	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.600	Community Economic Adjustment
84.041	Maintenance and Operations (Impact Aid)

Dollar threshold used to distinguish between type A and type B programs:	<u>Type A</u>	<u>Type B</u>	
	<u>\$1,128,945</u>	<u>\$282,236</u>	
Auditee Qualified as Low-Risk Auditee?	<u> X </u> Yes	<u> </u> No	

State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?			
	<u> X </u> Yes	<u> </u> No	

Type of auditors' report issued on compliance for state awards:	<u>Unmodified</u>
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SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal Award Findings or Questioned Costs.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

<u>Number:</u>	2017-001
<u>Finding Code:</u>	40000
<u>Criteria:</u>	In accordance with California Education Code section 42238.02(b)(3)(A), a county office of education shall review and validate certified aggregate English learner, foster youth, and free or reduced-price meal eligible pupil data for school districts and charter schools under its jurisdiction to ensure the data is reported accurately. The Superintendent shall provide each county office of education with appropriate access to school district and charter school data reports in the California Longitudinal Pupil Achievement Data System for purposes of ensuring data reporting accuracy.
<u>Condition:</u>	One student received was designated as free meal eligible on the schools “1.18 – FRPM/English Learner/Foster Youth-Student List” report, but no meal application was on file.
<u>Effect:</u>	The potential for the loss of funds received by the District associated with the failure to comply with state guidelines.
<u>Cause:</u>	Murray Middle School overlooked and did not comply with the above State Compliance requirement, by failing to obtain a lunch application from a student receiving free meals.
<u>Questioned Costs:</u>	No Questioned Costs
<u>Identification of a repeat finding:</u>	This is not a repeat finding
<u>Recommendation:</u>	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
<u>Views of responsible officials and planned corrective actions:</u>	The District agrees with this finding and will adhere to the corrective action plan on page 110 in this audit report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Number: 2017-002

Finding Code: 10000 and 40000

Criteria: In accordance with 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, which 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 contract for one student from Burroughs High School was signed by the parent on March 27, 2017 and by the teacher on March 17, 2017; however, the student's study commenced on March 9, 2017 and ended on May 11, 2017.

An Independent Study contract for one student from Burroughs High School was signed by the teacher on January 26, 2017; however the student's study commenced on January 25, 2017 and ended on May 11, 2017.

An Independent Study contract for one student from Burroughs High School was signed by the teacher on January 10, 2017; however the student's study commenced on January 4, 2017 and ended on May 11, 2017.

An Independent Study contract for one student from Burroughs High School was signed by the teacher on January 6, 2017; however the student's study commenced on January 4, 2017 and ended on May 11, 2017.

An Independent Study contract for one student from Burroughs High School was signed by the teacher on January 5, 2017 and was not signed by the parent; however the student's study commenced on January 4, 2017 and ended on May 11, 2017.

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

Cause: Burroughs High School overlooked and did not comply with the above State Compliance requirement by failing to get the contract signed prior to beginning work. We have calculated the questioned costs below related to this overstatement of ADA.

Questioned Costs:

	Number	Amount
Population	4779.21	\$33,994,124
Sample Size	1.26	\$8,963
Finding	0.21	\$1,493

Identification of a repeat finding:

This is not a repeat finding.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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 110 in this audit report.

SIERRA SANDS UNIFIED SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

Number: 2016-001

Finding Code: 50000

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.

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

Current Status: Implemented.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Section IV – State Award Findings and Questioned Costs

Finding: 2017-001

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

Corrective Action: School sites will be directed to track the Free & Reduced price meal applications or Household Income Data sheets sent out and returned by families. Sites will also be directed to make every effort to contact all families with outstanding applications or Household Income Data sheets for receipt. If no application or data sheet is received by the deadline, students that are not directly certified will be removed from the Free & Reduced priced meal program

Proposed Completion Date: Ongoing, but anticipated by December 31, 2017.

Finding: 2017-002

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 and the work evaluated and graded for the student to receive attendance credit.

Proposed Completion Date: Ongoing, but anticipated by December 31, 2017.