

SIERRA SANDS UNIFIED SCHOOL DISTRICT

**COUNTY OF KERN
RIDGECREST, CALIFORNIA**

**AUDIT REPORT
JUNE 30, 2010**

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

INTRODUCTORY SECTION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
JUNE 30, 2010

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FINANCIAL INFORMATION



BURKEY & COX EVANS BRADFORD ALDEN

ACCOUNTANCY CORPORATION

1058 WEST AVENUE M-14, SUITE B
PALMDALE, CALIFORNIA 93551

TEL: (661) 948-0808

FAX: (661) 949-3508

GERALD D. BURKEY, CPA (retired)

GARY W. COX, CPA (retired)

SCOTT EVANS, CPA, CFP, CVA

LAURA A. BRADFORD, CPA

JENNIFER ALDEN, CPA

TERESA YATES, CPA

TERRY L. SNEDIGAR, EA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, California

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, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sierra Sands Unified School District's management. 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; and the provisions of Office and Management and Budget Circular A-133, *"Audits of State, Local Governments, and Non-Profit Organizations."* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, on our consideration of Sierra Sands 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 50 through 73 and other supplementary information on pages 74 through 85 are 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 inquires of management about the methods of preparing the information and

Sierra Sands Unified School District
Page 2

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.

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 as a whole. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents under supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Sierra Sands Unified School District. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, schedule of average daily attendance and the schedule of instructional time are the responsibility of management and were derived from the relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis and budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Burkey & Cox, CPA
BURKEY COX EVANS BRADFORD & ALDEN
Accountancy Corporation

Palmdale, California
December 14, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010

INTRODUCTION

This section of Sierra Sands Unified School District's annual financial report represents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2010. This Management Discussion and Analysis (MD&A) is a requirement of the Government Accounting Standards Board's (GASB) pronouncement number 34, and its purpose is to provide a more global picture of the District's financial condition. Please read it in conjunction with the District's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets on June 30, 2010 were \$52,452,687 compared to \$49,581,874 at June 30, 2009.
- During the year, the District's net expenses were \$30,780,353, which is \$615,168 less than the \$31,395,521 generated in taxes and other revenues for governmental activities.
- The District's total revenues in 2009-10 were \$50,657,750 compared to \$52,648,233 in 2008-09.
- The District's total expenses in 2009-10 were \$65,945,887 compared to \$61,903,787 in 2008-09.
- The general fund reported a balance in 2009-10 of \$7,019,964 compared to an ending balance of \$7,492,142 on June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

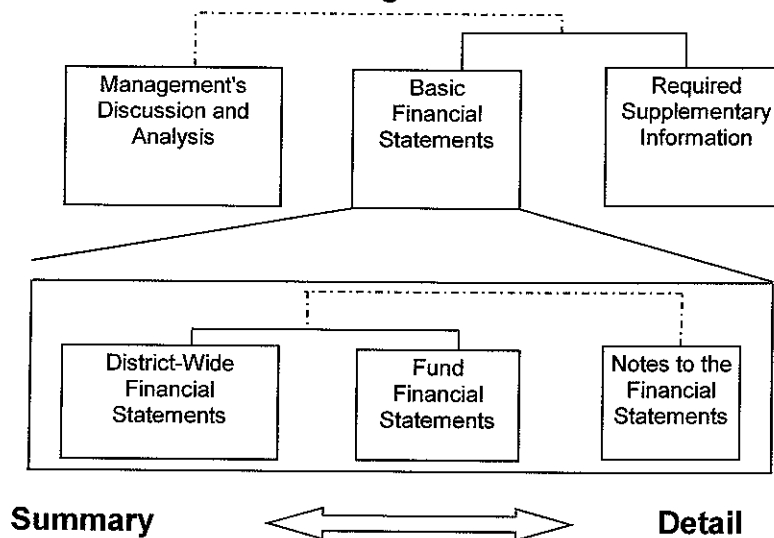
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *district-wide (a.k.a. government-wide) financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District by reporting the District's operations in *more* detail than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates *like businesses*, such as food service.
- *Fiduciary fund statements* provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources 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 financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010**

Figure A-1



District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and all of the current year's revenues and expenses are account for in the statement of activities regardless of when received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* - The District does not maintain any funds that are categorized as business-type activities.

**Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *most significant funds* - not the District as a whole. Some funds are required by State law and by bond covenants. Other funds are established by the District to control and manage money for particular purposes (such as repaying long-term debts) or to show that it is properly using certain revenues (like federal grants). SSUSD has the following kinds of funds:

- **Governmental funds** - Most of SSUSD's basic services are included in governmental funds that focus on (1) how *cash and other financial assets* can be converted to cash 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. These fund statements are broken down into major and non-major components based on their relative size and/or revenues generated as compared to the general fund.
- **Fiduciary Funds** - The District has two fiduciary funds: the Retiree Benefit Fund and the Student Body Fund. These funds can only be used for trust beneficiaries, and therefore cannot be used to finance operations. The Retiree Benefit Fund will continue to build based on actuarial findings in order to pay for current and future retirees.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-2

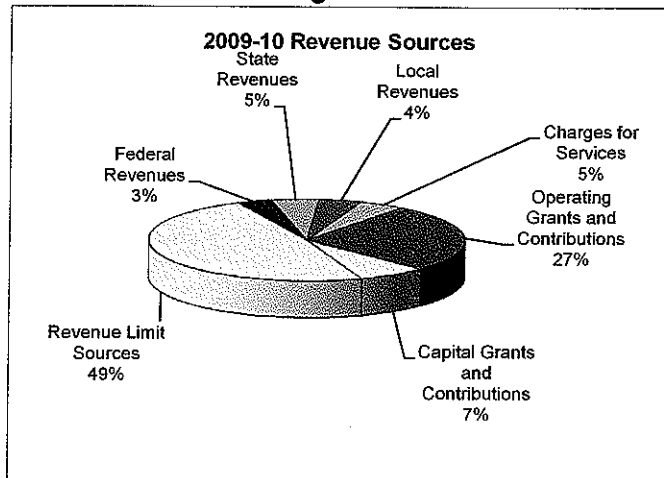
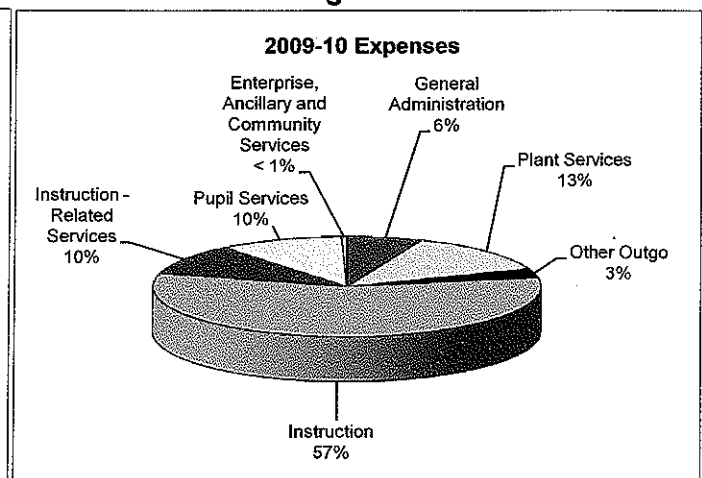


Figure A-3



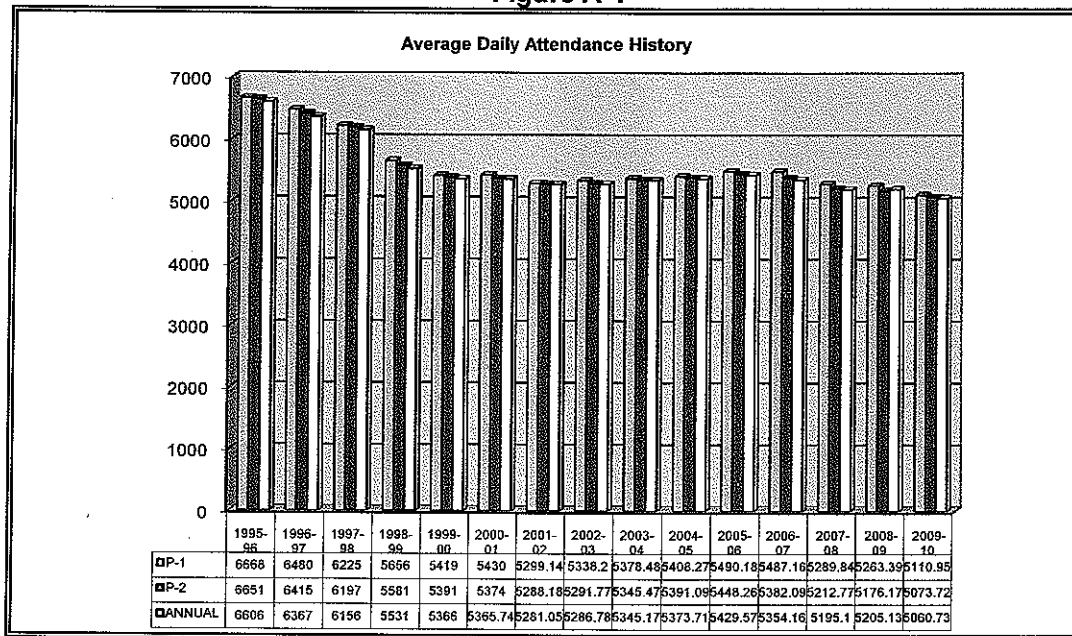
During 2009-2010, the District continued its modernization effort funded by the Measure A modernization initiative. Faller and Pierce Elementary schools were completed as well as major work at Rand Elementary school and significant infrastructure work at Burroughs High School. Additionally modernization work commenced at Inyokern Elementary school and planning for modernization at Las Flores and the construction of a Career Technical Education Building at Burroughs High School was begun.

The District's budget committee continued to meet throughout 2009-10. These committee meetings continued to be productive as a vehicle to provide input around the relative priority of the District's programs and support activities. They were also a means to facilitate increased dialogue and understanding of the budget environment and process for all stakeholders.

**Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010**

Average Daily Attendance. For the fourth year in a row, total Average Daily Attendance (ADA) decreased from the prior year due to a drop in enrollment. ADA at P-2 in 2009-10 was 5074 compared to 5176 ADA at P-2 in 2008-09 and 5213 ADA at P-2 in 2007-08. Contributing factors were the slower than anticipated implementation of the Base Realignment and Closure Committee decisions as well as a change in the population pattern. Some of this change can be attributed to fallout from the state's ongoing fiscal crisis which contributed to a significant downturn in employment opportunities throughout the state. Another factor was the availability of additional alternative education opportunities for area students. Figure A-4 displays the District's average daily attendance history since fiscal year 1995/1996.

Figure A-4



Net Assets. The District's *combined* net assets were more (5.8%) on June 30, 2010 than they were the year before increasing by approximately \$2.87M. (See Table A-1) The year to year differences reflect the districts initiatives relating to its facilities program, and the successful completion of several modernization projects as well as the addition of two busses and additional electronic capacity.

TABLE A-1

Sierra Sands Unified School District Net Assets - Governmental Activities			
	2008-2009	2009-2010	% Change
Current and Other Assets	\$48,413,932	\$37,506,028	-22.5%
Capital Assets	\$35,907,888	\$52,343,244	45.8%
Total Assets	\$84,321,820	\$89,849,272	6.6%
Long-term Liabilities	\$30,511,178	\$34,121,970	11.8%
Other Liabilities	\$4,228,768	\$3,274,615	-22.6%
Total Liabilities	\$34,739,946	\$37,396,585	7.65%
Net Assets			
Invested in capital assets, net of related debt	\$31,532,888	\$48,098,244	52.5%
Restricted	\$4,348,688	\$3,013,699	-30.7%
Unrestricted	\$13,700,298	\$1,340,744	-90.2%
Total Net Assets	\$49,581,874	\$52,452,687	5.8%

Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010

Changes in Net Assets. Table A-2 Significant items related to this exhibit include a change in the way Federal Impact Aid revenues were recognized for this period. They were included as Program Revenues in 2008/09 and had previously been recorded as General Revenues. The Capital Grant received for the CTE building is shown as an increase in Capital Grants/Contributions. Revenue Limit Sources suffered significant reductions (approx. 6M) due to State cuts. There have been no significant one time transactions related to Other Revenues. Even though total revenues decreased the program services offered by the District decreased only slightly. Increase in the cost of utilities as well as increase in plant size are due to increased number of classrooms through the modernization program as well as utility rate hikes.

TABLE A-2

Sierra Sands Unified School District Changes in Net Assets			
	<u>2008-2009</u>	<u>2009-2010</u>	<u>% Change</u>
Beginning Balance	\$ 49,348,539	\$ 49,581,874	0.5%
Program Revenues			
Charges for Services	\$ 881,908	\$ 2,401,369	172.3%
Operating Grants/Contributions	\$ 14,212,710	\$ 13,808,939	-2.8%
Capital Grants/Contributions	\$ 6,702	\$ 3,635,460	
General Revenues			
Revenue Limit Sources	\$ 30,499,033	\$ 24,874,627	-18.4%
Federal Revenues	\$ 613,838	\$ 1,784,530	190.7%
State Revenues	\$ 4,314,371	\$ 2,512,173	-41.8%
Other Revenues	\$ 1,564,599	\$ 2,224,191	42.2%
Total Revenues	<u>\$ 52,093,161</u>	<u>\$ 51,241,289</u>	<u>-1.6%</u>
Program Expenses			
Instruction	\$ 30,117,305	\$ 28,921,535	-4.0%
Instruction - Related Svcs	\$ 5,581,207	\$ 5,020,391	-10.0%
Pupil Services	\$ 5,541,899	\$ 5,184,264	-6.5%
Ancillary Services	\$ 274,915	\$ 225,044	-18.1%
Community Services	\$ 8,874	\$ 11,951	34.7%
Enterprise	\$ 9,544	\$ 7,379	-22.7%
General Administration	\$ 3,219,156	\$ 3,145,641	-2.3%
Plant Services	\$ 6,296,800	\$ 6,599,716	4.8%
Other Outgo	\$ 795,663	\$ 1,510,200	89.8%
Total Expenses	<u>\$ 51,845,363</u>	<u>\$ 50,626,121</u>	<u>-2.4%</u>
Change in Net Assets	\$ 247,798	\$ 615,168	
Prior Period Adjust	\$ (14,463)	\$ 2,255,687	
Net Assets @ June 30	<u>\$ 49,581,874</u>	<u>\$ 52,452,729</u>	<u>5.5%</u>

Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010

Table A-3 displays the costs of each of the District's activities: Instruction, Instruction-Related Services, Pupil Services, General Administration, Plant Services, Ancillary Services, Community Services and Other Outgo. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3

Sierra Sands Unified School District Net Cost of Governmental Activities			
	Total Cost of Services		% Change
	2008-09	2009-10	08/09 vs. 09/10
Instruction	\$ 30,117,305	\$ 28,921,535	-4.0%
Instruction-Related Services	\$ 5,581,207	\$ 5,020,391	-10.0%
Pupil Services	\$ 5,541,899	\$ 5,184,264	-6.5%
Ancillary Services	\$ 274,915	\$ 225,044	-18.1%
Community Services	\$ 8,874	\$ 11,951	34.7%
Enterprise	\$ 9,544	\$ 7,379	-22.7%
General Administration	\$ 3,219,156	\$ 3,145,641	-2.3%
Plant Services	\$ 6,296,800	\$ 6,599,716	4.8%
Other Outgo	\$ 795,663	\$ 926,661	16.5%
Total Expenses	<u>\$ 51,845,363</u>	<u>\$ 50,042,582</u>	<u>-3.5%</u>

	Net Cost of Services		% Change
	2008-09	2009-10	08/09 vs. 09/10
Instruction	\$ 20,610,542	\$ 20,993,531	1.9%
Instruction-Related Services	\$ 4,665,226	\$ 3,669,958	-21.3%
Pupil Services	\$ 1,967,410	\$ 2,374,923	20.7%
Ancillary Services	\$ 274,915	\$ 164,105	-40.3%
Community Services	\$ (6,166)	\$ 8,714	-241.3%
Enterprise	\$ 9,544	\$ 5,381	-43.6%
General Administration	\$ 3,059,431	\$ 2,293,218	-25.0%
Plant Services	\$ 5,573,071	\$ 343,862	-93.8%
Other Outgo	\$ 590,070	\$ 926,661	57.0%
Total Expenses	<u>\$ 36,744,043</u>	<u>\$ 30,780,353</u>	<u>-16.2%</u>

- The cost of all *governmental* activities this year was \$50,626,121
- Some of the cost was paid by the users of the District's programs (\$2,401,369).
- Certain programs were subsidized by operating grants/contributions (\$13,808,939) and capital grants/contributions (\$3,635,460).
- Most of the District's costs (\$30,603,583), 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, the Special Reserve Fund for Non-Capital Outlay, the Building Fund (general obligation bond revenues) and Other Governmental Funds [a combination of the Adult School, Child Development, Food Service, Deferred Maintenance, Post-Employment Benefits, School Facilities, Developer Fees, Cash with a Fiscal Agent (Lease Revenue Bond proceeds) and Inyo-Kern Schools Financing Authority]. As the District completed the year, its governmental funds reported a *combined* fund balance of \$34.51 million compared to \$44.46 million in 2008-09.

**Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010**

The total net change of all governmental fund balances equaled \$(9.95) million and the fund balance continues to be positive.

Property taxes and state formula revenue limit account for 52% of the District's revenue. Instruction and instruction-related services account for 56% of the District's total expenditures.

Figure A-5

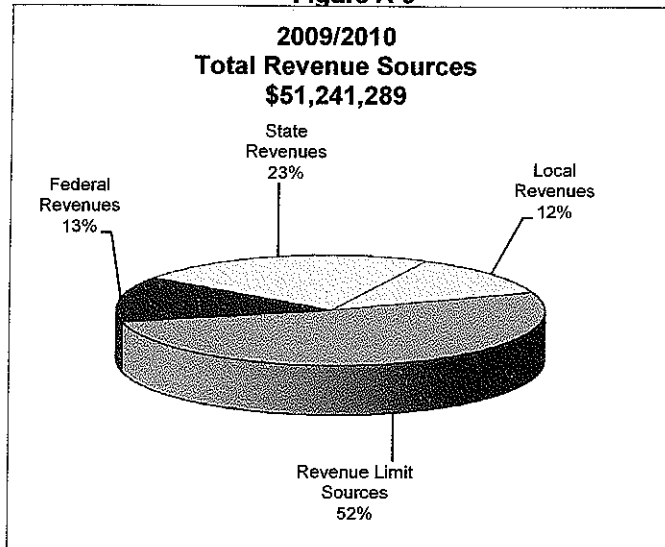
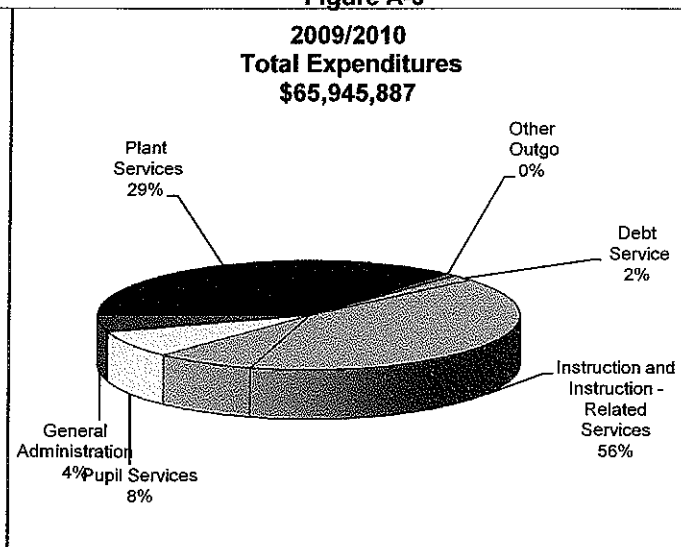


Figure A-6



Comparison of Total District Revenue Sources and Expenditures Figure A-5 outlines the District's total revenue sources for 2009-10 from all funds combined. Comparatively, Figure A-6 outlines the District's total expenditures by function for 2009-10 from all funds combined.

General Fund Budgetary Highlights

In 2009-10, the state fiscal situation continued to deteriorate, creating a challenging financial picture for the District. Significant efforts to reduce costs in every area allowed the district to maintain solvency. Reductions to personnel necessitated by the State's structural deficit were somewhat mitigated by the district's Early Retirement Notification Incentive program. Ongoing additional strain on District reserves was felt due to multiple cash deferrals. The District was able to call on its reserve in the month of June so that it could meet its payment obligations and remain solvent.

State Revenue Limit funding was deficiated by 18.355%. A small amount of relief was provided by the State in the form of flexibility in the application of K-3 Class Size Reduction program as well as flexibility provided by allowing LEAs discretion in their execution of their Tier III Categorical programs. Additionally, the Federal Government provided some relief through ARRA funding for Special Education, Title I, and unrestricted general fund.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009/10, the District had capital asset investments valued at \$72.8 million. These assets include school buildings, administrative buildings (including the Sierra Vista Center), athletic facilities, computer and audio-visual equipment. (See Table A-5) Total accumulated depreciation amounted to \$20.5 million. The capital asset investments experienced a net increase (including additions and deductions) of \$16.4 million over last year. More detailed information about capital assets can be found in Note 6 to the financial statements.

**Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010**

Table A-5

Sierra Sands Unified School District Capital Assets (Net of Accumulated Depreciation)			
	2008-2009	2009-2010	% Change
Sites, Buildings & Improvements	\$ 18,136,516	\$ 17,177,855	-5.3%
Equipment & Furniture	\$ 2,420,382	\$ 2,357,958	-2.6%
Work in Progress	\$ 15,350,990	\$ 32,807,431	113.7%
	<u>\$ 35,907,888</u>	<u>\$ 52,343,244</u>	<u>45.8%</u>

The District is in its eighth year of fixed asset accounting. The net value of the fixed assets are displayed above.

Capital assets purchased or acquired with an original cost greater than \$5,000 are reported at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized, while other costs for basic repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives (See Table A-6):

Table A-6

USEFUL LIFE TABLE			
Assets	Years	Assets	Years
Land	N/A	Business Machines	10
Site Improvement	20	Copiers	5
Buildings	50	Portable Radios	10
Portables	25	Pc's/Printers/Hardware	5
HVAC Systems	20	Instrctnl Computer Hardware	5 to 10
Roofing	20	Admin Computer Software	10 to 20
Interiors	20	Audio Visual	10
Carpet	7	Athletic Equip	10
Elect/Plumbing	30	Musical Instruments	10
Fire Sprinklers	25	Library Books	5 to 7
Outdoor Equip	20	Vehicles	8
Custodial Equip	15	Off-road vehicles/tractors	10
Scientific Equip	10	Grounds Equipment	15
Office Furniture	20		

Sierra Sands reviews the useful life tables and modifies them based on the dictates of experiential knowledge.

LONG TERM DEBT

The District maintains six debt obligations other than current liabilities. The first is capital lease obligations, which currently includes a \$60,000 outstanding balance for the repayment of the state preschool building loan. The second type of debt is compensated absences (i.e., employee vacations) that has a current liability of \$87,252. The third 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 (of which \$24,786,052 has been funded). The fourth is a lease revenue bond in the amount of \$4,500,000 to facilitate in the purchase and renovation of a support facility completes the long term debt position of the District. The District's current liability for the lease revenue bond is \$4,185,000.

The District was a successful competitor for State Matching Grant funding for its Career Technical Program. This grant funding of 2.7M as well as 3.0M of state loan funding, which is to be paid by the District by 2020, was received in 2009-10. Construction of the CTE building is slated to begin in 2010-11.

The sixth is a no interest state loan for the Faller Preschool. The amount of this loan is \$210,000 and the current outstanding principal is \$210,000

Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010

STUDENT BODY FUND

The District continued to vigorously manage its student body funds. The District experienced no audit findings in this area in 2009-10. To maintain compliance and internal controls, the District will continue to regularly monitor student body financial reports, provide staff development opportunities, maintain communication and upgrade accounting tools.

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-7 below.

Table A-7

Year Ending June 30,	Principal	Interest	Total
2011	365,000	754,411	1,119,411
2012	454,555	743,656	1,198,211
2013	524,843	733,106	1,257,949
2014	597,752	722,435	1,320,187
2015	673,681	709,107	1,382,788
2016-2020	4,739,640	3,408,955	8,148,595
2021-2025	7,905,572	2,765,932	10,671,504
2026-2030	6,089,109	8,019,326	14,108,435
2031-2032	3,009,248	10,044,035	13,053,283
	<u>\$24,359,400</u>	<u>\$27,900,963</u>	<u>\$52,260,363</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-8 below. This debt obligation will be primarily funded through rental income from the commercial businesses located in the Sierra Vista Center.

Table A-8

Year Ending June 30,	Principal	Interest	Total
2011	120,000	172,783	292,783
2012	125,000	167,983	292,983
2013	130,000	162,982	292,982
2014	135,000	157,783	292,783
2015	140,000	152,382	292,382
2016-2020	805,000	671,915	1,476,915
2021-2025	975,000	496,922	1,471,922
2026-2030	1,200,000	274,845	1,474,845
2031-2035	555,000	35,700	590,700
	<u>\$4,185,000</u>	<u>\$2,293,295</u>	<u>6,478,295</u>

Sierra Sands Unified School District
Management Discussion and Analysis
2009-2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Base Realignment And Closure (BRAC) legislation was passed in 2005 and it is still anticipated that some growth, the extent of which is unknown, will occur between now and 2011, which is the statutory date the BRAC decisions must be completely implemented. The District continues to have on-going dialogue with the Base and the community regarding the BRAC implementation.
- The District began utilizing the Vieweg Educational center as a temporary school facility during 2008-09 and continues to do so as it moves forward with its modernization program.
- The District continues to move forward with implementing its plans for the future. Challenges associated with growth and change are many and they continue. The contributions of the area's citizens continues to play a major part in the District's success. The Lease/Lease Back construction delivery method chosen by the District as the construction delivery method continues to meet the District's modernization needs very well. The results by Barnhart and Westberg & White have been excellent. The construction delivery method chosen by the district for the CTE building at Burroughs High School is construction management at risk and is considered most appropriate for a project of this nature.
- A significant factor affecting the future of the District is the continuing deterioration of the State's fiscal position. The problems associated with the State's long-term uncorrected structural deficit reached significant levels in 2009-10. This situation is projected to continue through the near term (1-3yrs). The District continues to deliver excellent educational services for all of its students under the heavy burden of continual insufficient funding, ever increasing mandates, and external pressure.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report or additional financial information can be provided by contacting Elaine W. Janson, 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 ejanson@ssusd.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SIERRA SANDS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 21,391,280
Cash on Hand and in Banks	79,000
Cash in Revolving Fund	22,000
Cash with a Fiscal Agent/Trustee	7,355,539
Accounts Receivable	8,541,568
Stores Inventories	100,076
Other Current Assets	16,565
Capital Assets:	
Fixed Assets, Net	52,343,244
Total Assets	<u>89,849,272</u>
LIABILITIES:	
Accounts Payable	2,781,156
Deferred Revenues	483,078
Noncurrent Liabilities:	
Due within one year	1,934,254
Due in more than one year	32,198,097
Total Liabilities	<u>37,396,585</u>
NET ASSETS	
Unrestricted	52,452,687
Total Net Assets	<u>\$ 52,452,687</u>

The accompanying notes are an integral part of this statement.

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SIERRA SANDS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 28,921,535	\$ 139,684	\$ 7,518,673	\$ 269,647
Instruction-Related Services	5,020,391	27,095	1,289,472	33,866
Pupil Services	5,184,264	593,053	2,180,645	35,643
Ancillary Services	225,044	1,128	58,272	1,539
Community Services	11,951	60	3,095	82
Enterprise	7,379	37	1,911	50
General Administration	3,145,641	27,429	794,114	30,880
Plant Services	6,599,716	1,612,883	1,379,218	3,263,753
Other Outgo	926,661	--	--	--
Total Governmental Activities	50,042,582	2,401,369	13,225,400	3,635,460
Total Primary Government	\$ 50,042,582	\$ 2,401,369	\$ 13,225,400	\$ 3,635,460

General Revenues:

Revenue Limit Sources

Federal Revenues

State Revenues

Local Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (20,993,531)
(3,669,958)
(2,374,923)
(164,105)
(8,714)
(5,381)
(2,293,218)
(343,862)
(926,661)

(30,780,353)

(30,780,353)

24,874,627
1,784,530
2,512,173
2,224,191
—

31,395,521
615,168
49,581,832
2,255,687

\$ 52,452,687

FUND FINANCIAL STATEMENTS

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SIERRA SANDS SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2010

	General Fund	Special Reserve Fund	Building Fund
ASSETS:			
Cash in County Treasury	\$ 2,327,405	\$ 4,452,964	\$ 2,700,322
Cash on Hand and in Banks	64,000	--	--
Cash in Revolving Fund	22,000	--	--
Cash with a Fiscal Agent/Trustee	--	--	--
Accounts Receivable	8,275,411	--	8,786
Due from Other Funds	891,524	1,764,122	43,686
Stores Inventories	72,187	--	--
Prepaid Expenditures	16,565	--	--
Total Assets	<u>\$ 11,669,092</u>	<u>\$ 6,217,086</u>	<u>\$ 2,752,794</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 2,468,443	\$ --	\$ 244,008
Due to Other Funds	1,966,364	636,473	9,744
Deferred Revenue	214,321	--	--
Total Liabilities	<u>4,649,128</u>	<u>636,473</u>	<u>253,752</u>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Revolving Cash	22,000	--	--
Reserve for Stores Inventories	72,187	--	--
Reserve for Prepaid Items	16,565	--	--
Reserve for Legally Restricted Balance	2,875,058	--	--
Designated Fund Balances:			
Designated for Economic Uncertainties	2,244,703	--	--
Other Designated	1,755,661	--	--
Unreserved	33,790	5,580,613	2,499,042
Unreserved, reported in nonmajor:			
Special Revenue Funds	--	--	--
Debt Service Funds	--	--	--
Capital Projects Funds	--	--	--
Total Fund Balance	<u>7,019,964</u>	<u>5,580,613</u>	<u>2,499,042</u>
Total Liabilities and Fund Balances	<u>\$ 11,669,092</u>	<u>\$ 6,217,086</u>	<u>\$ 2,752,794</u>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ 5,613,311	\$ --	\$ 6,297,278	\$ 21,391,280
--	--	15,000	79,000
--	--	--	22,000
--	7,058,406	297,133	7,355,539
17,752	20,443	219,176	8,541,568
--	--	188,911	2,888,243
--	--	27,889	100,076
--	--	--	16,565
<u>\$ 5,631,063</u>	<u>\$ 7,078,849</u>	<u>\$ 7,045,387</u>	<u>\$ 40,394,271</u>
\$ 469	\$ --	\$ 68,236	\$ 2,781,156
--	--	275,662	2,888,243
--	--	--	214,321
<u>469</u>	<u>--</u>	<u>343,898</u>	<u>5,883,720</u>
--	--	--	22,000
--	--	27,889	100,076
--	--	--	16,565
--	--	--	2,875,058
--	6,034,955	--	8,279,658
--	--	297,746	2,053,407
5,630,594	1,043,894	3,910,853	18,698,786
--	--	1,198,503	1,198,503
--	--	770,472	770,472
--	--	496,026	496,026
<u>5,630,594</u>	<u>7,078,849</u>	<u>6,701,489</u>	<u>34,510,551</u>
<u>\$ 5,631,063</u>	<u>\$ 7,078,849</u>	<u>\$ 7,045,387</u>	<u>\$ 40,394,271</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Total Fund Balances - Governmental Funds \$ 34,510,551

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is \$72,865,809 and the accumulated depreciation is \$20,522,565.

52,343,244

Deferred charges are not financial resources and, therefore, are not reported in the governmental funds.

(268,757)

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a current liability in the fund financial statements when due but rather recognized as an expense when paid.

Long-term liabilities, including all bonds, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Current bond and debt and all long-term liabilities at year end consist of:

State of California Payable	\$ 3,210,000	
General Obligation Bonds	24,786,052	
Lease Revenue Bonds	4,185,000	
Capital Lease Obligations	60,000	
Employment Benefit Obligations	1,891,299	
		(34,132,351)

Total Net Assets - Governmental Activities \$ 52,452,687

The accompanying notes are an integral part of this statement.

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SIERRA SANDS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Reserve Fund	Building Fund
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 22,048,302	\$ --	\$ --
Local Sources	4,452,688	--	--
Federal Revenue	5,575,390	--	--
Other State Revenue	7,987,333	--	--
Other Local Revenue	1,597,260	--	381,834
Total Revenues	<u>41,660,973</u>	<u>--</u>	<u>381,834</u>
Expenditures:			
Instruction	26,399,677	--	--
Instruction - Related Services	4,952,281	--	--
Pupil Services	3,443,995	--	--
Ancillary Services	225,044	--	--
Community Services	11,951	--	--
Enterprise	7,379	--	--
General Administration	2,957,261	--	--
Plant Services	6,279,707	--	12,781,837
Debt Service:			
Principal	--	--	--
Interest	--	--	--
Total Expenditures	<u>44,277,295</u>	<u>--</u>	<u>12,781,837</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,616,322)</u>	<u>--</u>	<u>(12,400,003)</u>
Other Financing Sources (Uses):			
Transfers In	636,473	57,812	--
Transfers Out	(616,757)	(636,473)	--
Proceeds from the Issuance of Long Term Debt	--	--	--
Total Other Financing Sources (Uses)	<u>19,716</u>	<u>(578,661)</u>	<u>--</u>
Net Change in Fund Balance	(2,596,606)	(578,661)	(12,400,003)
Fund Balance, July 1	7,492,142	6,159,274	14,899,045
Prior Period Adjustment	2,124,428	--	--
Fund Balance, June 30	<u>\$ 7,019,964</u>	<u>\$ 5,580,613</u>	<u>\$ 2,499,042</u>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 22,048,302
--	--	--	4,452,688
--	--	1,293,555	6,868,945
2,700,000	--	937,124	11,624,457
24,034	1,651,894	2,008,336	5,663,358
<u>2,724,034</u>	<u>1,651,894</u>	<u>4,239,015</u>	<u>50,657,750</u>
--	--	493,827	26,893,504
--	--	68,110	5,020,391
--	--	1,773,398	5,217,393
--	--	--	225,044
--	--	--	11,951
--	--	--	7,379
--	--	197,370	3,154,631
118,272	608,000	4,268,340	24,056,156
--	--	415,000	415,000
--	--	944,438	944,438
<u>118,272</u>	<u>608,000</u>	<u>8,160,483</u>	<u>65,945,887</u>
<u>2,605,762</u>	<u>1,043,894</u>	<u>(3,921,468)</u>	<u>(15,288,137)</u>
--	--	558,945	1,253,230
--	--	--	(1,253,230)
3,000,000	--	210,000	3,210,000
<u>3,000,000</u>	<u>--</u>	<u>768,945</u>	<u>3,210,000</u>
5,605,762	1,043,894	(3,152,523)	(12,078,137)
24,832	6,034,955	9,854,012	44,464,260
--	--	--	2,124,428
<u>\$ 5,630,594</u>	<u>\$ 7,078,849</u>	<u>\$ 6,701,489</u>	<u>\$ 34,510,551</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds \$ (12,078,137)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Fixed Assets Additions	\$ 17,735,219	
Current Year Depreciation	<u>(1,431,122)</u>	
Total		16,304,097

Governmental funds report bond issuance costs as an expenditure when incurred. These costs are capitalized and amortized over the life of the bond in the Statement of Net Assets. The adjustment is calculated as follows:

Current year amortization of costs	<u>10,381</u>	
Total		10,381

Issuance of long-term financial obligations is a source of revenue in the governmental funds, but the receipt of these proceeds increases long-term liabilities in the statement of net assets.

State of California Payable	(3,210,000)	
Employment Benefit Obligations	<u>(1,994,750)</u>	
Total		(5,204,750)

Repayment of long-term financing obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	302,777	
Lease Revenue Bond	115,000	
Employment Benefit Obligations	1,150,800	
Capital Lease Obligations	<u>15,000</u>	
Total		<u>1,583,577</u>

Total Change in Net Assets - Governmental Activities \$ 615,168

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS**

JUNE 30, 2010

	Pension Trust Fund	Agency Fund
	Retiree Benefit Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ --	\$ 576,133
Total Assets	\$ --	\$ 576,133
LIABILITIES:		
Due to Student Groups	\$ --	\$ 576,133
Total Liabilities	--	576,133
NET ASSETS:		
Total Net Assets	\$ --	\$ --

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Employee Retirement Plan
Additions:	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>--</u>
Deductions:	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>--</u>
Change in Net Assets	--
Net Assets-Beginning of the Year	--
Net Assets-End of the Year	<u><u>\$ --</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 FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of seven elected officials who, together, constitute the Board of Trustees.

The District and the Inyo-Kern Schools Financing Authority (the "Authority") have financial and operational relationships, which meet the reporting entity definition criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the Authority as component unit of the District. Accordingly, certain financial activities of the Authority have been included in the financial statements of the District.

The Authority was formed by a joint exercise powers agreement dated December 3, 1990, between the Sierra Sands Unified School District (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's districts.

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 Authority's financial issued \$4,500,000 of Lease Revenue Bonds on March 1, 2007. The proceeds of these bonds will be used to reimburse the District for certain facilities to be used as District headquarters and acquire facilities.

The following are those aspects of the relationship between the District and the Authority which satisfy GASB Statement No. 39 criteria:

- **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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Scope of Public Service

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

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

- 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.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the intent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e.,

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used of the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned (Deferred) Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized major, non-major, and fiduciary funds as follows:

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.
2. Special Reserve Fund – Other than Capital Outlay is used to set aside funds to protect the District from unforeseen economic events.
3. Building Fund is used to account for the activity (proceeds and capital acquisitions) for the District's 2004 General Obligation Bonds.
4. 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.
5. Blended Component Unit for Capital Projects is used to account for the acquisition and construction of District facilities financed through the issuance of Certificates of Participation.

NON-MAJOR 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 five non-major special revenue funds:

1. Adult Education is used to account for revenues received and expenditures made to operate the District's adult education programs.
2. Child Development Fund is used to account for revenues received and expenditures made to operate the District's childcare and development programs.
3. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.
4. Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
5. Special Reserve for Post-Employment Benefits is used to account for the accumulation of reserves available to pay current and future post-employment retiree health benefits.

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 two 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).

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains three 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. 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 FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains ten agency funds one for each school's student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. 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 were liquidated at June 30, 2010.

H. Assets, Liabilities, and Equity

1. 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 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. Any investment losses are proportionately shared by all funds in the pool.

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.

The amount of dollars invested in derivatives with the County Treasury was not significant as of June 30, 2010.

2. Eliminations / Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. These interfund receivables and payables are eliminated on the Government-wide Statement of Net Assets.

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

supplies held for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis 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

5. Accrued Liabilities and Long-Term Debt Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a current liability in the fund financial statements when due but rather recognized as an expense when paid.

6. Unearned (Deferred) Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

10. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

11. Revenue Limit / Property Tax

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

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll—approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's base revenue limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Use of Estimates

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

J. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe the constraints imposed upon the use of the resources reported in the governmental funds. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. The requirements of this Statement are effective for financial statements periods beginning after June 15, 2010, with earlier application encouraged.

NOTE 2 – CASH AND INVESTMENTS

General

The District has adopted Governmental Accounting Standards Board Statement 31 (GASB 31) which requires investments of governmental agencies to be reported at fair value. However, investment pools, such as a state or county treasury, may report the value of short-term investments with remaining maturities of less than 90 days at amortized costs. The majority of the County Treasury investments have a remaining maturity of less than 90 days. In addition, GASB 31 does not apply to immaterial cost/value differences.

The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as of July 1, 2004. GASB Statement No. 40 requires governmental entities to assess categories of risk associated with their deposits and investments and disclose these risks.

Unrestricted

Cash and investments consisted of the following at June 30, 2010:

	Governmental Funds
Cash on Hand and in Banks	\$ 101,000
Pooled Investments - Kern	
County Treasury	21,391,280
Cash with Fiscal Agent	7,355,539
Total	<u>\$ 28,847,819</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

Investments Authorized by the Entity's Investment Policy

The District's investment policy authorizes investment in the local government investment pool administered by Kern County. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Additionally, the District may invest idle or surplus funds in accordance with California Government Code Section 53601. The following represents permissible investments per this code section

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificate of Participation
- Obligations with first priority security
- Collateralized mortgage obligations

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The District had no debt proceeds investments as of June 30, 2010.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of fiscal year-end, the weighted average maturity of the investments contained in the Kern County Investment Pool is approximately seventeen (17) months, and the weighted average maturity of the investment held by U.S. Bank as a fiscal agent is approximately twelve (12) months.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Value Adjustment *</u>	<u>Fair Value</u>
Kern County Investment Pool - Unrestricted	17 months average	<u>\$ 21,391,280</u>	<u>\$ (38,274)</u>	<u>\$ 21,353,006</u>
U.S. Bank - Cash with Fiscal Agent	12 months average	<u>\$ 7,355,539</u>	<u>\$ 0</u>	<u>\$ 7,355,539</u>

* The Fair Value Adjustment at June 30, 2009 was not recorded on the books of the Sierra Sands Unified School District as the adjustment was not considered significant.

Disclosures Relating to 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. Neither the Kern County Investment Pool nor the U.S. Bank Government Securities held as a fiscal agent have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

As of June 30, 2010, \$21,391,280 of the cash and investments are held in the form of a nonnegotiable unrated investment in the Kern County Investment Pool.

As of June 30, 2010, \$7,355,539 of the cash and investments are held in the form of negotiable federal securities investment in U.S. Bank as a fiscal agent of the District.

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 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions were in excess of federal depository insurance limits.

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. 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 Pool.

Investment in Kern County Investment Pool

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds, except for the payroll-clearing fund, which is credited to the General Fund. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Derivative Investments

The District did not directly enter into any derivative investments.

Investments - Restricted

The District did not enter into any restricted investments.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2010, expenditures exceeded final appropriations in individual funds as follows:

Appropriations Category		Excess Expenditures
General Fund:	Certified Salaries	\$ 428,263
	Classified Salaries	\$ 202,210
	Employee Benefits	\$ 21,299
	Other Outgo	\$ 5,745
	Capital Outlay	\$ 200,269
	Transfers Out	\$ 291,770
Special Reserve Fund for Other Than Capital Outlay:	Transfers Out	\$ 694,285
Adult Education Fund:	Certified Salaries	\$ 3,536
Child Development Fund:	Other Outgo	\$ 965
	Capital Outlay	\$ 207,139
Bond Interest and Redemption Fund:	Principal	\$ 285,000
	Interest and Fiscal Charges	\$ 767,055
Blended Component Unit Fund - Debt Service:	Principal	\$ 115,000
	Interest and Fiscal Charges	\$ 177,382
Building Fund:	Classified Salaries	\$ 1,251
	Books and Supplies	\$ 4,605
	Services and Other Operating Expenditures	\$ 227,876
	Capital Outlay	\$ 12,545,409
Capital Facilities Fund:	Capital Outlay	\$ 1,261,849
County School Facilities Fund:	Capital Outlay	\$ 118,272
Blended Component Unit Fund Capital Projects:	Services and Other Operating Expenditures	\$ 608,000

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2010 consist of the following:

	Governmental Funds					Totals
	General Fund	Building Fund	County School Facilities	Blended Component Unit	Other Governmental Units	
Federal Government:						
Federal Financial Assistance Programs	\$ 1,134,664	\$ 0	\$ 0	\$ 0	\$ 66,688	\$ 1,201,352
Total Federal	1,134,664	0	0	0	66,688	1,201,352
State Government:						
State Financial Assistance Programs	1,268,162	0	0	0	129,317	1,397,479
State Apportionment Revenue Limit	5,292,239	0	0	0	0	5,292,239
Total State	6,560,401	0	0	0	129,317	6,689,718
Local Receivables:						
Local Sources	543,207	77	0	0	1,691	544,975
Interest Receivable	37,139	8,709	17,752	20,443	21,480	105,523
Total Local	580,346	8,786	17,752	20,443	23,171	650,498
Total Accounts Receivable	\$ 8,275,411	\$ 8,786	\$ 17,752	\$ 20,443	\$ 219,176	\$ 8,541,568

NOTE 5 – INTERFUND TRANSACTIONS

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Due From / Due To Other Funds – Individual fund interfund receivables and payable balances at June 30, 2010 are as follows:

<u>Fund</u>	<u>Governmental</u>	
	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 891,524	\$ 1,966,364
Building Fund	43,686	9,744
Child Development	128,188	230,507
Special Reserve for Other than Capital Outlay	1,764,122	636,473
Adult Education Fund	60,723	958
Cafeteria Fund	0	44,197
Total	<u>\$ 2,888,243</u>	<u>\$ 2,888,243</u>

Interfund Transfers – Consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009/2010 fiscal year were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
1. General Fund	Special Reserve Fund	\$ 636,473
2. Deferred Maintenance Fund	General Fund	267,175
3. Special Reserve Fund	General Fund	57,812
4. Blended Component Unit	General Fund	291,770
	Total	<u>\$ 1,253,230</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – FIXED ASSETS AND DEPRECIATION

The changes in fixed assets for the year ended June 30, 2010, are shown below:

	Balance July 1, 2009	Prior Period Restatement	Restated Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Land	\$ 174,529	\$ 0	\$ 174,529	\$ 0	\$ 0	\$ 174,529
Sites, Buildings and Improvements	34,055,691	121,959	34,177,650	0	0	34,177,650
Machinery and Equipment	5,418,121	9,300	5,427,421	278,778	0	5,706,199
Construction in Progress	15,350,990	0	15,350,990	17,456,441	0	32,807,431
Totals	54,999,331	131,259	55,130,590	17,735,219	0	72,865,809
<u>Less: Accumulated Depreciation</u>						
Sites, Buildings and Improvements	16,093,704	0	16,093,704	1,080,620	0	17,174,324
Machinery and Equipment	2,997,739	0	2,997,739	350,502	0	3,348,241
Totals	19,091,443	0	19,091,443	1,431,122	0	20,522,565
Governmental Activities Capital Assets, Net	<u>\$ 35,907,888</u>	<u>\$ 131,259</u>	<u>\$ 36,039,147</u>	<u>\$ 16,304,097</u>	<u>\$ 0</u>	<u>\$ 52,343,244</u>

Depreciation Expense was charged to Governmental Activities as follows:

Instruction	\$ 1,229,800
Transportation	201,322
Total Depreciation Expenses	<u>\$ 1,431,122</u>

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

JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT OBLIGATIONS

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. 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 248,013	\$ 124,830	\$ 372,843
2012	258,333	114,510	372,843
2013	269,082	103,761	372,843
2014	280,279	92,564	372,843
2015	291,941	80,902	372,843
2016 - 2020	<u>1,652,352</u>	<u>211,863</u>	<u>1,864,215</u>
Totals	<u>\$ 3,000,000</u>	<u>\$ 728,430</u>	<u>\$ 3,728,430</u>

In June 2010, 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>
2011	\$ 21,000	\$ 0	\$ 21,000
2012	21,000	0	21,000
2013	21,000	0	21,000
2014	21,000	0	21,000
2015	21,000	0	21,000
2016 - 2020	<u>105,000</u>	<u>0</u>	<u>105,000</u>
Totals	<u>\$ 210,000</u>	<u>\$ 0</u>	<u>\$ 210,000</u>

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

COMBINED STATE OF CALIFORNIA REPAYMENT

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 269,013	\$ 124,830
2012	279,333	114,510
2013	290,082	103,761
2014	301,279	92,564
2015	312,941	80,902
2016 - 2020	<u>1,757,352</u>	<u>211,863</u>
Totals	<u>\$ 3,210,000</u>	<u>\$ 728,430</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – 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, 2010, the principal balance of the General Obligation Bonds – Election 2006 was \$18,957,868. The principal and interest repayment of the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 365,000	\$ 645,786	\$ 1,010,786
2012	445,000	629,586	1,074,586
2013	505,000	609,324	1,114,324
2014	570,000	586,562	1,156,562
2015	640,000	559,162	1,199,162
2016 - 2020	4,480,000	2,275,465	6,755,465
2021 - 2025	7,200,000	963,939	8,163,939
2026 - 2030	3,686,330	6,468,672	10,155,002
2031 - 2035	1,066,538	2,398,461	3,464,999
Totals	<u>\$ 18,957,868</u>	<u>\$ 15,136,957</u>	<u>\$ 34,094,825</u>

General Obligation Bonds – Election 2006 and 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, 2010, the principal balance of the General Obligation Bonds – Series 2008 was \$5,401,532. The principal and interest repayment of the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 0	\$ 108,625	\$ 108,625
2012	9,555	114,070	123,625
2013	19,843	123,782	143,625
2014	27,752	135,873	163,625
2015	33,681	149,945	183,626
2016 - 2020	259,640	1,133,490	1,393,130
2021 - 2025	705,572	1,801,993	2,507,565
2026 - 2030	2,402,779	1,550,654	3,953,433
2031 - 2035	1,942,710	7,645,574	9,588,284
Totals	<u>\$ 5,401,532</u>	<u>\$ 12,764,006</u>	<u>\$ 18,165,538</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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

COMBINED ELECTION 2006 AND ELECTION 2006 SERIES 2008

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 365,000	\$ 754,411
2012	454,555	743,656
2013	524,843	733,106
2014	597,752	722,435
2015	673,681	709,107
2016 - 2020	4,739,640	3,408,955
2021 - 2025	7,905,572	2,765,932
2025 - 2030	6,089,109	8,019,326
2031 - 2035	3,009,248	10,044,035
Totals	<u>\$ 24,359,400</u>	<u>\$ 27,900,963</u>

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

	<u>Outstanding July 1, 2009</u>	<u>Issued in Current Year</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2010</u>
General Obligation Bonds - Election of 2006	\$ 19,242,868	\$ 0	\$ 285,000	\$ 18,957,868
General Obligation Bonds - Election of 2006, Series 2008	5,401,532	0	0	5,401,532
Bond Premium	444,429	0	17,777	426,652
Totals	<u>\$ 25,088,829</u>	<u>\$ 0</u>	<u>\$ 302,777</u>	<u>\$ 24,786,052</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, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2009</u>	<u>Issued in Current Year</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2010</u>
03/01/07	4.00% to 4.29%	05/01/32	\$ 4,300,000	\$ 0	\$ 115,000	\$ 4,185,000

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

The annual requirements to amortize these Lease Revenue Bonds payable outstanding at June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 120,000	\$ 172,783	\$ 292,783
2012	125,000	167,983	292,983
2013	130,000	162,982	292,982
2014	135,000	157,783	292,783
2015	140,000	152,382	292,382
2016 - 2020	805,000	671,915	1,476,915
2021 - 2025	975,000	496,922	1,471,922
2026 - 2030	1,200,000	274,845	1,474,845
2031 - 2035	555,000	35,700	590,700
Totals	<u>\$ 4,185,000</u>	<u>\$ 2,293,295</u>	<u>\$ 6,478,295</u>

NOTE 8 – LONG-TERM DEBT SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
State of California					
Contract Payable	\$ 0	\$ 3,210,000	\$ 0	\$ 3,210,000	\$ 290,013
General Obligation Bonds	25,088,829	0	302,777	24,786,052	384,323
Lease Revenue Bonds Payable	4,300,000	0	115,000	4,185,000	120,000
Capital Lease Obligations	75,000	0	15,000	60,000	15,000
Sub-Total Debt Obligations	<u>29,463,829</u>	<u>3,210,000</u>	<u>432,777</u>	<u>32,241,052</u>	<u>809,336</u>
Compensated Absences	113,134	0	25,882	87,252	0
Post Employment Benefits Obligations	934,215	1,994,750	1,124,918	1,804,047	1,124,918
Sub-Total Employment Obligations	<u>1,047,349</u>	<u>1,994,750</u>	<u>1,150,800</u>	<u>1,891,299</u>	<u>1,124,918</u>
Totals	<u>\$ 30,511,178</u>	<u>\$ 5,204,750</u>	<u>\$ 1,583,577</u>	<u>\$ 34,132,351</u>	<u>\$ 1,934,254</u>

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 - LEASES

A. Capital Lease Obligations

The District leases equipment and building valued at \$150,000 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments for the General Long-Term Account Group are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2011	\$ 15,000
2012	15,000
2013	15,000
2014	15,000
Totals	\$ 60,000
Less Amount Representing Interest	0
Present Value of Net Minimum Lease Payments	<u>\$ 60,000</u>

B. Operating Leases

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2011	\$ 186,531
2012	16,236
2013	4,592
2014	2,679
Totals	<u>\$ 210,038</u>

NOTE 10 – ALTERNATIVE RETIREMENT PLAN

Plan Description

Effective November 1997, 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – ALTERNATIVE RETIREMENT PLAN (Continued)

Funding Policy

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

The Sierra Sands Unified School District's contribution to the SISC Defined Benefit Plan for the fiscal year ended June 30, 2010, was \$22,393 and equaled 100% of the required contribution.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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 State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

The Sierra Sands Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.00% of their salary and the Sierra Sands Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009/2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Sierra Sands Unified School District's contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,560,826, \$1,731,748 and \$1,705,671, respectively, and equal 100% of the required contributions for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The Sierra Sands Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

Active plan members are required to contribute 7.00% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Sierra Sands Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009/2010 was 9.709% of annual payroll. By contractual agreement the District pays the employees portion to PERS. The contribution requirements of the plan members are established by state statute. The Sierra Sands Unified School District's contributions to CalPERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,016,651, \$1,105,365 and \$1,101,915, respectively, and equal 100% of the required contributions for each year.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Joint Powers Agreements

The District is a member of the Self-Insured Schools of Kern. Although these insurance programs have been reviewed for adequate protection, it is understood that a contingent liability could exist whenever a district is self-insured.

The District also participates in joint powers agreements for legal services and education services for special education students that are coordinated by the Kern County Superintendent of Schools.

Each joint powers agreement is governed by a board of representatives of the member districts independently accountable for its operations and fiscal matters. The relationship between the District and the JPA's is such that they are not considered component units of the District for financial reporting purposes.

C. Early Retirement

The District has adopted an early retirement incentive program. However, no incentive was offered for the current fiscal year.

D. Pending Litigation

As of June 30, 2010, there are no claims or litigation involving the District.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 13 – COUNTY PROPERTY TAX CONTINGENT LIABILITIES

Sierra Sands Unified School District's share of the estimated property tax liability based on information gathered from the Office of the Auditor-Controller of the County of Kern through June 30, 2010 for litigation and other tax refund claims pending at that time is as follows:

Total Liabilities (as of June 30, 2009)	\$ 252,162
Less: Impounds (as of June 30, 2009)	<u>(77,229)</u>
Net Liability	<u>\$ 174,933</u>

It should be noted that these figures do not include any appeals or litigation filed or completed after June 30, 2010, but they do include provisions for valuations and taxes in dispute through June 30, 2010.

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Plan Description

In addition to the pension benefits described in Notes 10 and 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).

Eligibility for District-paid Benefits

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

B. Funding Policy

As required by GASB 45, 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.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, 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.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan, and changes in the District's New OPEB Obligation/(Assets):

<u>Item</u>	<u>June 30, 2010</u>
Annual Required Contributions	\$ 1,994,750
Interest on Net OPEB Obligation/(Asset)	0
Adjustment to Annual Required Contributions	0
Annual OPEB Cost (Expense)	1,994,750
Contributions Made	(1,124,918)
Increase in New OPEB Obligation/(Asset)	869,832
Net OPEB Obligation/(Asset) - Beginning of Year	934,215
New OPEB Obligation/(Asset) - End of Year	\$ 1,804,047

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, 2010, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/2009	\$ 1,994,750	\$ 1,060,535	53.17%	\$ 934,215
6/30/2010	\$ 314,829	\$ 1,124,918	56.39%	\$ 1,804,047

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the end of the first year of GASB 45 applicability, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ 0	\$ 14,216,204	\$ 14,216,204	0.00%	\$ 28,984,429	49.05%

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

D. Funded Status and Funding Progress (Continued)

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, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year ended June 30, 2010 is the year of implementation of GASB Statement No. 45, only two years is presented in the schedule at this time. In future years, required three year trend analysis will be presented.

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 volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations

The plan's most recent actuarial valuation was performed as of July 7, 2007, and the District is in the process of hiring an actuary to complete their actuarial study in order to be in compliance with GASB 45.. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6 percent investment rate of return (net of administrative expenses), an annual medical cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years, and an annual dental/vision trend rate of 4 percent per year for all future years. These assumptions reflect an implicit 3.0 percent general inflation assumption. This District's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2010 was 30 years.

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.

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

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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2009, (latest information available) and SISC III for the year ended September 30, 2009, (latest information available) is as follows:

	<u>SISC I</u>	<u>SISC II</u>	<u>SISC III</u>
Total Assets	\$ 103,572,674	\$ 42,396,262	\$ 288,989,243
Liabilities	<u>(59,120,129)</u>	<u>(26,767,447)</u>	<u>(98,615,380)</u>
Retained Earnings / (Deficit)	<u>\$ 44,452,545</u>	<u>\$ 15,628,815</u>	<u>\$ 190,373,863</u>
Total Revenues	\$ 12,342,569	\$ 20,938,304	\$ 966,881,157
Total Expenditures	<u>(11,176,565)</u>	<u>(18,042,440)</u>	<u>(945,901,001)</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 1,166,004</u>	<u>\$ 2,895,864</u>	<u>\$ 20,980,156</u>

NOTE 16 – SUBSEQUENT EVENTS

No reportable subsequent events.

NOTE 17 – 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 Assets of Individual Funds

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

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

NOTE 18 – PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to the General Fund to account for prior Accounts Receivables that became uncollectable.

REQUIRED SUPPLEMENTARY INFORMATION

SIERRA SANDS SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 27,987,104	\$ 22,337,825	\$ 22,048,302	\$ (289,523)
Local Sources	--	4,200,000	4,452,688	252,688
Total Revenue Limit	27,987,104	26,537,825	26,500,990	(36,835)
Federal	4,028,078	5,856,808	5,575,390	(281,418)
Other State	8,637,311	7,609,148	7,987,333	378,185
Other Local	3,189,590	1,284,988	1,597,260	312,272
Total Revenues	43,842,083	41,288,769	41,660,973	372,204
Expenditures:				
Current:				
Certificated Salaries	19,306,670	19,067,852	19,496,115	(428,263)
Classified Salaries	6,135,314	6,349,045	6,551,255	(202,210)
Employee Benefits	9,935,876	10,428,424	10,449,723	(21,299)
Books And Supplies	2,535,791	3,105,089	2,244,324	860,765
Services And Other Operating Expenditures	4,727,349	5,006,366	4,333,146	673,220
Other Outgo	(45,484)	(45,564)	(39,819)	(5,745)
Capital Outlay	3,014,332	1,042,282	1,242,551	(200,269)
Debt Service:				
Principal	115,000	115,000	--	115,000
Interest And Fiscal Charges	181,983	177,382	--	177,382
Total Expenditures	45,906,831	45,245,876	44,277,295	968,581
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,064,748)	(3,957,107)	(2,616,322)	1,340,785
Other Financing Sources (Uses):				
Transfers In	--	--	636,473	636,473
Transfers Out	(323,853)	(324,987)	(616,757)	(291,770)
Total Other Financing Sources (Uses)	(323,853)	(324,987)	19,716	344,703
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	(2,388,601)	(4,282,094)	(2,596,606)	1,685,488
Fund Balances, July 1	7,492,142	7,492,142	7,492,142	--
Prior Period Adjustment	--	--	2,124,428	2,124,428
Fund Balances, June 30	\$ 5,103,541	\$ 3,210,048	\$ 7,019,964	\$ 3,809,916

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ --	\$ --	\$ --	\$ --
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	--	--
Other Financing Sources (Uses):				
<i>Transfers In</i>	--	--	57,812	57,812
<i>Transfers Out</i>	--	57,812	(636,473)	(694,285)
Total Other Financing Sources (Uses)	--	57,812	(578,661)	(636,473)
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	57,812	(578,661)	(636,473)
Fund Balances, July 1	--	6,159,274	6,159,274	--
Fund Balances, June 30	\$ --	\$ 6,217,086	\$ 5,580,613	\$ (636,473)

The accompanying notes are an integral part of this statement.

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES AS SUPPLEMENTARY INFORMATION

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 SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See
ASSETS:				
Cash in County Treasury	\$ 4,993,164	\$ 771,085	\$ 533,029	\$ 6,297,278
Cash on Hand and in Banks	15,000	--	--	15,000
Cash with a Fiscal Agent/Trustee	--	297,133	--	297,133
Accounts Receivable	208,639	--	10,537	219,176
Due from Other Funds	188,911	--	--	188,911
Stores Inventories	27,889	--	--	27,889
Total Assets	<u>\$ 5,433,603</u>	<u>\$ 1,068,218</u>	<u>\$ 543,566</u>	<u>\$ 7,045,387</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 20,696	\$ --	\$ 47,540	\$ 68,236
Due to Other Funds	275,662	--	--	275,662
Total Liabilities	<u>296,358</u>	<u>--</u>	<u>47,540</u>	<u>343,898</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	27,889	--	--	27,889
Designated Fund Balances:				
Other Designated	--	297,746	--	297,746
Unreserved	3,910,853	--	--	3,910,853
Unreserved, reported in nonmajor:				
Special Revenue Funds	1,198,503	--	--	1,198,503
Debt Service Funds	--	770,472	--	770,472
Capital Projects Funds	--	--	496,026	496,026
Total Fund Balance	<u>5,137,245</u>	<u>1,068,218</u>	<u>496,026</u>	<u>6,701,489</u>
Total Liabilities and Fund Balances	<u>\$ 5,433,603</u>	<u>\$ 1,068,218</u>	<u>\$ 543,566</u>	<u>\$ 7,045,387</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See
Revenues:				
Federal Revenue	\$ 1,293,555	\$ --	\$ --	\$ 1,293,555
Other State Revenue	912,788	24,336	--	937,124
Other Local Revenue	753,860	1,087,543	166,933	2,008,336
Total Revenues	<u>2,960,203</u>	<u>1,111,879</u>	<u>166,933</u>	<u>4,239,015</u>
Expenditures:				
Instruction	493,827	--	--	493,827
Instruction - Related Services	68,110	--	--	68,110
Pupil Services	1,773,398	--	--	1,773,398
General Administration	39,819	--	157,551	197,370
Plant Services	2,592,859	--	1,675,481	4,268,340
Debt Service:				
Principal	15,000	400,000	--	415,000
Interest	--	944,438	--	944,438
Total Expenditures	<u>4,983,013</u>	<u>1,344,438</u>	<u>1,833,032</u>	<u>8,160,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,022,810)</u>	<u>(232,559)</u>	<u>(1,666,099)</u>	<u>(3,921,468)</u>
Other Financing Sources (Uses):				
Transfers In	267,175	291,770	--	558,945
Other Sources	210,000	--	--	210,000
Total Other Financing Sources (Uses)	<u>477,175</u>	<u>291,770</u>	<u>--</u>	<u>768,945</u>
Net Change in Fund Balance	(1,545,635)	59,211	(1,666,099)	(3,152,523)
Fund Balance, July 1	6,682,880	1,009,007	2,162,125	9,854,012
Fund Balance, June 30	<u>\$ 5,137,245</u>	<u>\$ 1,068,218</u>	<u>\$ 496,026</u>	<u>\$ 6,701,489</u>

The accompanying notes are an integral part of this statement.

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SIERRA SANDS SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2010

	Adult Education Fund	Child Development Fund
ASSETS:		
<i>Cash in County Treasury</i>	\$ 30,039	\$ 11,062
<i>Cash on Hand and in Banks</i>	--	--
<i>Accounts Receivable</i>	138	171,230
<i>Due from Other Funds</i>	60,723	128,188
<i>Stores Inventories</i>	--	--
Total Assets	<u>\$ 90,900</u>	<u>\$ 310,480</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
<i>Accounts Payable</i>	\$ 6,743	\$ 4,740
<i>Due to Other Funds</i>	958	230,507
Total Liabilities	<u>7,701</u>	<u>235,247</u>
Fund Balance:		
Reserved Fund Balances:		
<i>Reserve for Stores Inventories</i>	--	--
Unreserved	--	--
Unreserved, reported in nonmajor:		
<i>Special Revenue Funds</i>	83,199	75,233
Total Fund Balance	<u>83,199</u>	<u>75,233</u>
Total Liabilities and Fund Balances	<u>\$ 90,900</u>	<u>\$ 310,480</u>

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
\$ 721,976	\$ 331,441	\$ 3,898,646	\$ 4,993,164
15,000	--	--	15,000
22,482	2,582	12,207	208,639
--	--	--	188,911
27,889	--	--	27,889
<u>\$ 787,347</u>	<u>\$ 334,023</u>	<u>\$ 3,910,853</u>	<u>\$ 5,433,603</u>
\$ 9,213	\$ --	\$ --	\$ 20,696
44,197	--	--	275,662
<u>53,410</u>	<u>--</u>	<u>--</u>	<u>296,358</u>
27,889	--	--	27,889
--	--	3,910,853	3,910,853
706,048	334,023	--	1,198,503
<u>733,937</u>	<u>334,023</u>	<u>3,910,853</u>	<u>5,137,245</u>
<u>\$ 787,347</u>	<u>\$ 334,023</u>	<u>\$ 3,910,853</u>	<u>\$ 5,433,603</u>

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SIERRA SANDS SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ --	\$ 79,241
Other State Revenue	200,605	406,515
Other Local Revenue	7,265	10,223
Total Revenues	<u>207,870</u>	<u>495,979</u>
Expenditures:		
Instruction	89,911	403,916
Instruction - Related Services	62,040	6,070
Pupil Services	--	--
General Administration	--	965
Plant Services	23,256	268,853
Debt Service:		
Principal	--	15,000
Total Expenditures	<u>175,207</u>	<u>694,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,663</u>	<u>(198,825)</u>
Other Financing Sources (Uses):		
Transfers In	--	--
Other Sources	--	210,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>210,000</u>
Net Change in Fund Balance	32,663	11,175
Fund Balance, July 1	50,536	64,058
Fund Balance, June 30	<u>\$ 83,199</u>	<u>\$ 75,233</u>

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
\$ 1,214,314	\$ --	\$ --	\$ 1,293,555
106,405	199,263	--	912,788
648,844	28,537	58,991	753,860
<u>1,969,563</u>	<u>227,800</u>	<u>58,991</u>	<u>2,960,203</u>
--	--	--	493,827
--	--	--	68,110
1,773,398	--	--	1,773,398
38,854	--	--	39,819
750	2,300,000	--	2,592,859
--	--	--	15,000
<u>1,813,002</u>	<u>2,300,000</u>	<u>--</u>	<u>4,983,013</u>
<u>156,561</u>	<u>(2,072,200)</u>	<u>58,991</u>	<u>(2,022,810)</u>
--	267,175	--	267,175
--	--	--	210,000
<u>--</u>	<u>267,175</u>	<u>--</u>	<u>477,175</u>
156,561	(1,805,025)	58,991	(1,545,635)
577,376	2,139,048	3,851,862	6,682,880
<u>\$ 733,937</u>	<u>\$ 334,023</u>	<u>\$ 3,910,853</u>	<u>\$ 5,137,245</u>

SIERRA SANDS SCHOOL DISTRICT

ADULT EDUCATION FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other State</i>	\$ 222,693	\$ 200,605	\$ (22,088)
<i>Other Local</i>	8,000	7,265	(735)
Total Revenues	<u>230,693</u>	<u>207,870</u>	<u>(22,823)</u>
Expenditures:			
Current:			
<i>Certificated Salaries</i>	103,738	107,274	(3,536)
<i>Classified Salaries</i>	30,234	29,555	679
<i>Employee Benefits</i>	36,343	31,500	4,843
<i>Books And Supplies</i>	19,158	3,266	15,892
<i>Services And Other Operating Expenditures</i>	4,864	3,612	1,252
Total Expenditures	<u>194,337</u>	<u>175,207</u>	<u>19,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,356	32,663	(3,693)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	36,356	32,663	(3,693)
Fund Balances, July 1	50,536	50,536	--
Fund Balances, June 30	<u>\$ 86,892</u>	<u>\$ 83,199</u>	<u>\$ (3,693)</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

CHILD DEVELOPMENT FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Federal</i>	\$ 58,690	\$ 79,241	\$ 20,551
<i>Other State</i>	569,080	406,515	(162,565)
<i>Other Local</i>	--	10,223	10,223
Total Revenues	<u>627,770</u>	<u>495,979</u>	<u>(131,791)</u>
Expenditures:			
Current:			
<i>Certificated Salaries</i>	1,996	1,995	1
<i>Classified Salaries</i>	3,273	1,100	2,173
<i>Employee Benefits</i>	3,394	1,277	2,117
<i>Books And Supplies</i>	82,406	17,570	64,836
<i>Services And Other Operating Expenditures</i>	469,119	389,758	79,361
<i>Other Outgo</i>	--	965	(965)
<i>Capital Outlay</i>	60,000	267,139	(207,139)
Debt Service:			
<i>Principal</i>	15,000	15,000	--
Total Expenditures	<u>635,188</u>	<u>694,804</u>	<u>(59,616)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,418)	(198,825)	(191,407)
Other Financing Sources (Uses):			
<i>Other Sources</i>	126,000	210,000	84,000
Total Other Financing Sources (Uses)	<u>126,000</u>	<u>210,000</u>	<u>84,000</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>118,582</u>	<u>11,175</u>	<u>(107,407)</u>
Fund Balances, July 1	64,058	64,058	--
Fund Balances, June 30	<u>\$ 182,640</u>	<u>\$ 75,233</u>	<u>\$ (107,407)</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

CAFETERIA FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Federal</i>	\$ 1,125,772	\$ 1,214,314	\$ 88,542
<i>Other State</i>	104,997	106,405	1,408
<i>Other Local</i>	683,535	648,844	(34,691)
Total Revenues	<u>1,914,304</u>	<u>1,969,563</u>	<u>55,259</u>
Expenditures:			
Current:			
<i>Classified Salaries</i>	593,583	554,237	39,346
<i>Employee Benefits</i>	316,638	289,526	27,112
<i>Books And Supplies</i>	954,250	920,948	33,302
<i>Services And Other Operating Expenditures</i>	11,375	9,437	1,938
<i>Other Outgo</i>	40,462	38,854	1,608
Total Expenditures	<u>1,916,308</u>	<u>1,813,002</u>	<u>103,306</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,004)	156,561	158,565
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>(2,004)</u>	<u>156,561</u>	<u>158,565</u>
Fund Balances, July 1	577,376	577,376	--
Fund Balances, June 30	<u>\$ 575,372</u>	<u>\$ 733,937</u>	<u>\$ 158,565</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other State</i>	\$ 40,000	\$ 199,263	\$ 159,263
<i>Other Local</i>	--	28,537	28,537
Total Revenues	<u>40,000</u>	<u>227,800</u>	<u>187,800</u>
Expenditures:			
<i>Capital Outlay</i>	2,300,000	2,300,000	--
Total Expenditures	<u>2,300,000</u>	<u>2,300,000</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,260,000)	(2,072,200)	187,800
Other Financing Sources (Uses):			
<i>Transfers In</i>	267,175	267,175	--
Total Other Financing Sources (Uses)	<u>267,175</u>	<u>267,175</u>	<u>--</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>(1,992,825)</u>	<u>(1,805,025)</u>	<u>187,800</u>
Fund Balances, July 1	2,139,048	2,139,048	--
Fund Balances, June 30	<u>\$ 146,223</u>	<u>\$ 334,023</u>	<u>\$ 187,800</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR POST-EMPLOYMENT BENEFITS

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local</i>	\$ --	\$ 58,991	\$ 58,991
Total Revenues	--	58,991	58,991
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	58,991	58,991
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	58,991	58,991
Fund Balances, July 1	3,851,906	3,851,862	(44)
Fund Balances, June 30	\$ 3,851,906	\$ 3,910,853	\$ 58,947

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2010

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds
ASSETS:			
Cash in County Treasury	\$ 771,085	\$ --	\$ 771,085
Cash with a Fiscal Agent/Trustee	--	297,133	297,133
Total Assets	<u>\$ 771,085</u>	<u>\$ 297,133</u>	<u>\$ 1,068,218</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance:			
Designated Fund Balances:			
Other Designated	\$ --	\$ 297,746	\$ 297,746
Unreserved, reported in nonmajor:			
Debt Service Funds	771,085	(613)	770,472
Total Fund Balance	<u>771,085</u>	<u>297,133</u>	<u>1,068,218</u>
Total Liabilities and Fund Balances	<u>\$ 771,085</u>	<u>\$ 297,133</u>	<u>\$ 1,068,218</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds
Revenues:			
Other State Revenue	\$ 24,336	\$ --	\$ 24,336
Other Local Revenue	1,087,543	--	1,087,543
Total Revenues	<u>1,111,879</u>	<u>--</u>	<u>1,111,879</u>
Expenditures:			
Debt Service:			
Principal	285,000	115,000	400,000
Interest	767,055	177,383	944,438
Total Expenditures	<u>1,052,055</u>	<u>292,383</u>	<u>1,344,438</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>59,824</u>	<u>(292,383)</u>	<u>(232,559)</u>
Other Financing Sources (Uses):			
Transfers In	--	291,770	291,770
Total Other Financing Sources (Uses)	<u>--</u>	<u>291,770</u>	<u>291,770</u>
Net Change in Fund Balance	59,824	(613)	59,211
Fund Balance, July 1	711,261	297,746	1,009,007
Fund Balance, June 30	<u>\$ 771,085</u>	<u>\$ 297,133</u>	<u>\$ 1,068,218</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other State</i>	\$ --	\$ 24,336	\$ 24,336
<i>Other Local</i>	--	1,087,543	1,087,543
Total Revenues	--	1,111,879	1,111,879
Expenditures:			
Debt Service:			
<i>Principal</i>	--	285,000	(285,000)
<i>Interest And Fiscal Charges</i>	--	767,055	(767,055)
Total Expenditures	--	1,052,055	(1,052,055)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	59,824	59,824
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	59,824	59,824
Fund Balances, July 1	711,261	711,261	--
Fund Balances, June 30	<u>\$ 711,261</u>	<u>\$ 771,085</u>	<u>\$ 59,824</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

BLENDED COMPONENT UNIT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	\$ --	\$ --	\$ --
Expenditures:			
Debt Service:			
Principal	--	115,000	(115,000)
Interest And Fiscal Charges	--	177,383	(177,383)
Total Expenditures	--	292,383	(292,383)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(292,383)	(292,383)
Other Financing Sources (Uses):			
Transfers In	--	291,770	291,770
Total Other Financing Sources (Uses)	--	291,770	291,770
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	(613)	(613)
Fund Balances, July 1	297,746	297,746	--
Fund Balances, June 30	\$ 297,746	\$ 297,133	\$ (613)

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR CAPITAL PROJECTS FUNDS**

JUNE 30, 2010

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
ASSETS:			
<i>Cash in County Treasury</i>	\$ 533,029	\$ --	\$ 533,029
<i>Accounts Receivable</i>	10,537	--	10,537
Total Assets	<u>\$ 543,566</u>	<u>\$ --</u>	<u>\$ 543,566</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
<i>Accounts Payable</i>	\$ 47,540	\$ --	\$ 47,540
Total Liabilities	<u>47,540</u>	<u>--</u>	<u>47,540</u>
Fund Balance:			
Unreserved, reported in nonmajor:			
<i>Capital Projects Funds</i>	496,026	--	496,026
Total Fund Balance	<u>496,026</u>	<u>--</u>	<u>496,026</u>
Total Liabilities and Fund Balances	<u>\$ 543,566</u>	<u>\$ --</u>	<u>\$ 543,566</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
Revenues:			
<i>Other Local Revenue</i>	\$ 166,935	\$ (2)	\$ 166,933
Total Revenues	<u>166,935</u>	<u>(2)</u>	<u>166,933</u>
Expenditures:			
<i>General Administration</i>	157,551	--	157,551
<i>Plant Services</i>	1,675,481	--	1,675,481
Total Expenditures	<u>1,833,032</u>	<u>--</u>	<u>1,833,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,666,097)</u>	<u>(2)</u>	<u>(1,666,099)</u>
Net Change in Fund Balance	(1,666,097)	(2)	(1,666,099)
Fund Balance, July 1	2,162,123	2	2,162,125
Fund Balance, June 30	<u>\$ 496,026</u>	<u>\$ --</u>	<u>\$ 496,026</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

BUILDING FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local</i>	\$ --	\$ 381,834	\$ 381,834
Total Revenues	<u>--</u>	<u>381,834</u>	<u>381,834</u>
Expenditures:			
Current:			
<i>Classified Salaries</i>	1,915	3,166	(1,251)
<i>Employee Benefits</i>	1,303	781	522
<i>Books And Supplies</i>	--	4,605	(4,605)
<i>Services And Other Operating Expenditures</i>	--	227,876	(227,876)
<i>Capital Outlay</i>	--	12,545,409	(12,545,409)
Total Expenditures	<u>3,218</u>	<u>12,781,837</u>	<u>(12,778,619)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,218)	(12,400,003)	(12,396,785)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>(3,218)</u>	<u>(12,400,003)</u>	<u>(12,396,785)</u>
Fund Balances, July 1	14,899,045	14,899,045	--
Fund Balances, June 30	<u>\$ 14,895,827</u>	<u>\$ 2,499,042</u>	<u>\$ (12,396,785)</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

CAPITAL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local</i>	\$ 300,000	\$ 166,935	\$ (133,065)
Total Revenues	<u>300,000</u>	<u>166,935</u>	<u>(133,065)</u>
Expenditures:			
Current:			
<i>Services And Other Operating Expenditures</i>	921,792	571,183	350,609
<i>Capital Outlay</i>	--	1,261,849	(1,261,849)
Total Expenditures	<u>921,792</u>	<u>1,833,032</u>	<u>(911,240)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(621,792)	(1,666,097)	(1,044,305)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>(621,792)</u>	<u>(1,666,097)</u>	<u>(1,044,305)</u>
Fund Balances, July 1	2,162,123	2,162,123	--
Fund Balances, June 30	<u>\$ 1,540,331</u>	<u>\$ 496,026</u>	<u>\$ (1,044,305)</u>

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

COUNTY SCHOOL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other State</i>	\$ --	\$ 2,700,000	\$ 2,700,000
<i>Other Local</i>	--	24,034	24,034
Total Revenues	--	2,724,034	2,724,034
Expenditures:			
<i>Capital Outlay</i>	--	118,272	(118,272)
Total Expenditures	--	118,272	(118,272)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	2,605,762	2,605,762
Other Financing Sources (Uses):			
<i>Other Sources</i>	--	3,000,000	3,000,000
Total Other Financing Sources (Uses)	--	3,000,000	3,000,000
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	5,605,762	5,605,762
Fund Balances, July 1	24,831	24,832	1
Fund Balances, June 30	\$ 24,831	\$ 5,630,594	\$ 5,605,763

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local</i>	\$ --	\$ (2)	\$ (2)
Total Revenues	--	(2)	(2)
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(2)	(2)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	(2)	(2)
Fund Balances, July 1	2	2	--
Fund Balances, June 30	\$ 2	\$ --	\$ (2)

The accompanying notes are an integral part of this statement.

SIERRA SANDS SCHOOL DISTRICT

BLENDED COMPONENT UNIT

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local</i>	\$ --	\$ 1,651,894	\$ 1,651,894
Total Revenues	--	1,651,894	1,651,894
Expenditures:			
Current:			
<i>Services And Other Operating Expenditures</i>	--	608,000	(608,000)
Total Expenditures	--	608,000	(608,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	1,043,894	1,043,894
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	--	1,043,894	1,043,894
Fund Balances, July 1	6,034,955	6,034,955	--
Fund Balances, June 30	\$ 6,034,955	\$ 7,078,849	\$ 1,043,894

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION SECTION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2010

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 2009/2010 school year the District operated seven elementary schools, two middle schools, two high schools, and three preschools. There were no changes in school boundaries during the school year.

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>
Kurt Rockwell	President	December, 2010
Tom Pearl	Vice President / Clerk	December, 2010
Amy Covert	Member	December, 2010
Judy Dietrichson	Member	December, 2010
Bill Farris	Member	December, 2012
Tim Johnson	Member	December, 2012
Michael Scott	Member	December, 2010
Pamela Daugherty	Member	December, 2012

ADMINISTRATION

Joanna Rummer
Superintendent

Ernie Bell
Assistant Superintendent, Human Resources

Shirley Kennedy
Assistant Superintendent, Curriculum and Instruction

Elaine Wunderlich Janson
Assistant Superintendent, Business Services

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010

TABLE 1

	Second Period Report	Amended Second Period Report	Annual Report
<u>ELEMENTARY</u>			
Kindergarten	394.45	394.45	394.95
First through Third	1,176.02	1,176.10	1,177.81
Fourth through Sixth	1,050.93	1,050.93	1,051.23
Seventh and Eighth	727.54	727.54	724.87
Special Education, Home and Hospital, and Extended Year	128.78	132.17	132.62
Total Elementary	<u>3,477.72</u>	<u>3,481.19</u>	<u>3,481.48</u>
<u>HIGH SCHOOL</u>			
Ninth through Twelfth	1,391.99	1,392.06	1,377.05
Continuation Education	138.67	138.67	137.01
Special Education and Home and Hospital	65.34	65.34	65.19
Total High School	<u>1,596.00</u>	<u>1,596.07</u>	<u>1,579.25</u>
Full Time Independent Study ADA	<u>5,073.72</u>	<u>5,077.26</u>	<u>5,060.73</u>
<u>SUMMER SCHOOL</u>			
Elementary	<u>19,038</u>	<u>19,038</u>	<u>19,038</u>
Secondary	<u>31,610</u>	<u>31,610</u>	<u>31,610</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.

See the accompanying Notes to Supplementary Information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010

TABLE 2

<u>Grade Level</u>	<u>1986-87 Minutes Requirements</u>	<u>1982-83 Actual Minutes</u>	<u>2009 - 2010 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,000	180	In compliance
Grade 1	50,400	45,500	53,020	180	In compliance
Grade 2	50,400	45,500	53,020	180	In compliance
Grade 3	50,400	45,500	53,020	180	In compliance
Grade 4	54,000	52,500	54,890	180	In compliance
Grade 5	54,000	52,500	54,890	180	In compliance
Grade 6	54,000	52,500	63,880	180	In compliance
Grade 7	54,000	61,250	63,880	180	In compliance
Grade 8	54,000	61,250	63,880	180	In compliance
Grade 9	64,800	58,080	65,390	180	In compliance
Grade 10	64,800	58,080	65,390	180	In compliance
Grade 11	64,800	58,080	65,390	180	In compliance
Grade 12	64,800	58,080	65,390	180	In compliance

GENERAL

The District must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

See the accompanying Notes to Supplementary Information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

TABLE 3

<u>GENERAL FUND</u>	<u>Budget 2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues and Other Financial Sources	\$ 39,296,253	\$ 42,297,446	\$ 44,664,754	\$ 49,851,422
Expenditures	41,628,676	44,569,065	49,535,245	49,032,412
Other Uses and Transfers Out	326,143	324,987	(3,219,385)	693,380
Total Outgo	41,954,819	44,894,052	46,315,860	49,725,792
Change in Fund Balance (Deficit)	(2,658,566)	(2,596,606)	(1,651,106)	125,630
Prior Year Adjustment	0	2,124,428	81,398	0
Ending Fund Balance	\$ 4,361,398	\$ 7,019,964	\$ 7,492,142	\$ 9,061,850
Available Reserves (1)	\$ 3,175,356	\$ 4,144,906	\$ 5,952,968	\$ 6,377,100
Designated for Economic Uncertainties	\$ 2,097,741	\$ 2,244,703	\$ 2,491,611	\$ 2,486,636
Undesignated Fund Balance	\$ 1,077,615	\$ 1,900,203	\$ 3,461,357	\$ 3,890,464
Available Reserves as a Percentage of Total Outgo	7.57%	9.23%	12.85%	12.82%
State Recommended Available Reserve Percentage	4.00%	4.00%	4.00%	4.00%
Available Reserves Over (Under) State Recommended Reserve Percentage	3.57%	5.23%	8.85%	8.82%
Total Long-Term Debt	\$ 32,064,643	\$ 34,132,351	\$ 30,511,178	\$ 24,095,536
Average Daily Attendance at P-2	5,077	5,077	5,276	5,305

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) Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, not including the undesignated fund balance in the Special Reserve Fund (other than Capital Outlay Projects), which was \$5,580,613 as of June 30, 2010.

General Fund

Available reserves have decreased by 3.59% during the past three years and are anticipated to decrease by 1.67% through June 30, 2011.

For the current year Sierra Sands Unified School District's percentage of available reserves is 5.23% above the state recommended percentage.

Long-Term Debt

General Obligation Bonds represent 72.62% of the total outstanding long term debt obligations of the district.

Attendance

Average Daily Attendance (ADA) has decreased by 228 students or 4.30% during the past three years.

See the accompanying Notes to Supplementary Information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

TABLE 4

<u>FEDERAL PROGRAM NAME</u>	<u>Federal Catalog (CFDA) Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed Through the California Department of Education:			
EASA Impact Aid: Maintenance and Operations *	84.041	0	1,685,003
NCLB Title I *	84.010	3010	1,036,803
NCLB Title II - Teacher and Principal Training	84.367	4035	79,875
NCLB Title II - Improving Teacher Quality	84.367	4035	7,520
Vocational Education: Carl Perkins	84.048A	0	43,706
NCLB Title III - Limited English Proficient Program	84.365	4203	27,966
ISAS Title IV - Drug Free Schools	84.186	3710	52,458
IDEA Part B - Pre Kindergarten Staff Development *	84.173A	3345	1,000
ARRA IDEA Part B - Special Education *	84.027	3313	812,856
IDEA Local Assistance *	84.027	3310	953,247
IDEA Preschool Local Entitlement *	84.027A	3320	38,458
ARRA IDEA - Preschool Local Entitlement *	84.391	3324	40,448
IDEA Federal Preschool *	84.173	3315	29,935
ARRA - Preschool Grants Discretionary *	84.392A	3319	35,587
AARA Fiscal Stabilization Funds *	84.394	3320	1,035,829
IDEA Part C - Early Intervention - Early Start	N/A	3385	26,441
ARRA - NCLB Title I *	84.389	3011	243,974
Department of Ed Continued:			
Advanced Placement Test Fee Reimbursement	84.330B	0	254
California Health Science Educators Institute	17.260	5810	261
U.S. Department of Agriculture Passed Through California Department of Education:			
National School Lunch *	10.555	0	917,663
School Breakfast Program *	10.553	0	296,634
Forest Reserve	10.665	0	2,739
U.S. Department of Health Services Passed Through California Department Health Services:			
Medi-Cal Billing Option	93.778	5640	69,205
U.S. Department of Defense:			
DFAS - ROTC	UNK	0	24,558
Total Federal Awards			<u>\$ 7,462,420</u>

See the accompanying Notes to Supplementary Information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

TABLE 4

GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sierra Sands Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose or basic financial statements.

See the accompanying Notes to Supplementary Information.

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SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY	BUILDING FUND
June 30, 2010 Annual Financial and Budget Report Fund Balances	\$ 7,019,964	\$ 5,580,613	\$ 2,499,042
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:			
Cash in County Treasury - (Overstated) Understated	0	0	0
Cash with Fiscal Agent - (Overstated) Understated	0	0	0
Accounts Receivable - (Overstated) Understated	0	0	0
Inventory	0	0	0
Prepaid Expenses	0	0	0
Accounts Payable - Overstated (Understated)	0	0	0
Deferred Revenue - Overstated (Understated)	0	0	0
Net Adjustments and Reclassifications	0	0	0
June 30, 2010 Audited Financial Statements Fund Balances	\$ 7,019,964	\$ 5,580,613	\$ 2,499,042

	LONG-TERM DEBT
June 30, 2010 Annual Financial and Budget Report Total Liabilities	\$ 31,184,988
Adjustments and Reclassifications Increasing (Decreasing) Total Liabilities	
State of California - Contract Payable - Understated	3,210,000
General Obligation Bonds - Understated	426,652
Post Employment Benefits - Overstated	(689,289)
Net Adjustments and Reclassifications	2,947,363
June 30, 2010 Audited Financial Statements, General Long-Term Debt Total Liabilities	\$ 34,132,351

See the accompanying Notes to Supplementary Information.

TABLE 5
Page 1 of 2

COUNTY SCHOOL FACILITIES FUND	BLENDED COMPONENT UNIT CAPITAL FUND	ADULT EDUCATION FUND	CHILD DEVELOPMENT FUND	CAFETERIA FUND	DEFERRED MAINTENANCE FUND
<u>\$ 5,630,594</u>	<u>\$ 7,078,849</u>	<u>\$ 83,199</u>	<u>\$ 75,233</u>	<u>\$ 733,937</u>	<u>\$ 344,023</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 5,630,594</u>	<u>\$ 7,078,849</u>	<u>\$ 83,199</u>	<u>\$ 75,233</u>	<u>\$ 733,937</u>	<u>\$ 344,023</u>

See the accompanying Notes to Supplementary Information.

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SIERRA SANDS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL RESERVE FUND FOR POST EMPLOYMENT BENEFITS	BOND INTEREST AND REDEMPTION FUND	BLENDED COMPONENT UNIT DEBT SERVICE
June 30, 2010 Annual Financial and Budget Report Fund Balances	\$ 3,910,853	\$ 771,085	\$ 0
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:			
Cash in County Treasury - (Overstated) Understated	0	0	0
Cash with Fiscal Agent - (Overstated) Understated	0	0	297,133
Accounts Receivable - (Overstated) Understated	0	0	0
Inventory	0	0	0
Prepaid Expenses	0	0	0
Accounts Payable - Overstated (Understated)	0	0	0
Deferred Revenue - Overstated (Understated)	0	0	0
Net Adjustments and Reclassifications	0	0	297,133
June 30, 2010 Audited Financial Statements Fund Balances	\$ 3,910,853	\$ 771,085	\$ 297,133

See the accompanying Notes to Supplementary Information.

[illegible]

See the accompanying Notes to Supplementary Information.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010

TABLE 6

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

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

SIERRA SANDS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

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 46201 through 46206.

C. Schedule of Financial Trends and Analysis

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

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 this schedule was prepared for the District.

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

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

F. Schedule of Charter Schools

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

NOTE 2 – KERN COUNTY CONSORTIUM PARTICIPATION

Sierra Sands Unified School District is a member of a Kern County Consortium comprised of numerous member schools. The activity of the Consortium is to receive, disburse, and account for two of the District's programs:

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.

NOTE 3 – EARLY RETIREMENT INCENTIVE PROGRAM

During the fiscal year ended June 30, 2010, no employees accepted any early retirement incentive program, pursuant to Education Code Section 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

OTHER INDEPENDENT AUDITOR'S REPORTS



BURKEY & COX EVANS BRADFORD ALDEN

ACCOUNTANCY CORPORATION

1058 WEST AVENUE M-14, SUITE B
PALMDALE, CALIFORNIA 93551

TEL: (661) 948-0808

FAX: (661) 949-3508

GERALD D. BURKEY, CPA (retired)

GARY W. COX, CPA (retired)

SCOTT EVANS, CPA, CFP, CVA

LAURA A. BRADFORD, CPA

JENNIFER ALDEN, CPA

TERESA YATES, CPA

TERRY L. SNEDIGAR, EA

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 the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sierra Sands Unified School District, as of and for the year ended June 30, 2010, which collectively comprise the Sierra Sands Unified School District's basic financial statements and have issued our report thereon dated December 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sierra Sands Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sierra Sands Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sierra Sands Unified School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A *significant deficiency* is a deficiency or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sierra Sands Unified School District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

BURKEY & COX
EVANS BRADFORD ALDEN

ACCOUNTANCY CORPORATION

Sierra Sands Unified School District

Page 2

Sierra Sands Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Sierra Sands Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burkey & Cox, CPAs
BURKEY COX EVANS BRADFORD & ALDEN
Certified Public Accountants

Palmdale, California
December 14, 2010



BURKEY & COX EVANS BRADFORD ALDEN

ACCOUNTANCY CORPORATION

1058 WEST AVENUE M-14, SUITE B
PALMDALE, CALIFORNIA 93551

TEL: (661) 948-0808

FAX: (661) 949-3508

GERALD D. BURKEY, CPA (retired)

GARY W. COX, CPA (retired)

SCOTT EVANS, CPA, CFP, CVA

LAURA A. BRADFORD, CPA

JENNIFER ALDEN, CPA

TERESA YATES, CPA

TERRY L. SNEDIGAR, EA

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, California

Compliance

We have audited Sierra Sands Unified School District compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Sierra Sands Unified School District's major federal programs for the year ended June 30, 2010. Sierra Sands Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sierra Sands Unified School District's management. Our responsibility is to express an opinion on the Sierra Sands Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sierra Sands 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. Our audit does not provide a legal determination of the Sierra Sands Unified School District's compliance with those requirements.

In our opinion, the Sierra Sands Unified School District complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Sierra Sands Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Sierra Sands Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sierra Sands Unified School District's internal control over compliance.

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Sierra Sands Unified School District
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A deficiency in internal control over compliance exists when the design or operation of the 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.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Sierra Sands Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sierra Sands Unified School District's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burkey & Cox, CPA
BURKEY COX EVANS BRADFORD & ALDEN
Accountancy Corporation

Palmdale, California
December 14, 2010



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AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Sierra Sands Unified School District
Ridgecrest, California

We have audited the basic financial statements of the Sierra Sands Unified School District ("District") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Our audit was made 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 States' audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	1	Yes
Independent Study	23	Yes
Continuation Education	10	Not Applicable / N/A
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Yes

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Sierra Sands Unified School District

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Description	Procedures	
	In Audit Guide	Procedures Performed
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement	1	Yes
Class Size Reduction Program (Including in Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable / N/A
Districts or Charter Schools with One School Serving K-3	4	Not Applicable / N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not Applicable
Contemporaneous Records of Attendance, for Charter Schools	1	Not Applicable / N/A
Mode of Instruction, for Charter Schools	1	Not Applicable / N/A
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not Applicable / N/A
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	Not Applicable / N/A
Annual Instructional Minutes - Classroom Based, for Charter Schools	3	Not Applicable / N/A

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

Based on our audit, we found that, for the items tested, Sierra Sands Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations, except as described in the Findings and Recommendation section of this report.

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

Burkey Cox, CPAs
 BURKEY COX EVANS BRADFORD & ALDEN
 Accountancy Corporation

Palmdale, California
 December 14, 2010

FINDINGS AND QUESTIONED COSTS SECTION

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant Deficiencies identified not
considered to be material weaknesses?

 X Yes None reported

Noncompliance material to financial statements
noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Reportable Deficiencies identified not
considered to be material weaknesses?

 Yes X None reported

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

Unqualified

Any audit findings disclosed that are required to be
reported in Accordance with Circular A-133,
Section 510(a)

 Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch
10.553	School Breakfast Program
84.010, 84.389	NCLB Title I
84.041	EASA Impact Aid (Maintenance and Operations)
84.394	ARRA State Fiscal Stabilization Fund
84.027, 84.391, 84.392	IDEA Part B Cluster - Special Education

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee Qualified as Low-Risk Auditee?

 X Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified?

 Yes X No

Significant Deficiencies identified not
considered to be material weaknesses?

 Yes X None reported

Type of auditor's report issued on compliance for
state awards:

Unqualified

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

SECTION II – STATE - FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

Number: 2010-1

Finding Code: 10000 and 40000

State Program: Attendance Accounting

Award Year: 2009/2010

Specific Requirement: The District attendance reports must accurately reflect the positive attendance for the fiscal year and must be supported by appropriate source data. Independent study attendance must be supported by completed contracts and accurate attendance reports.

Finding: While testing the District's calculation of the Attendance Reports sent to the State of California, we noted the following:

Pierce Elementary School

1. We noted that one teacher roster selected for verification did not agree to the Monthly Attendance Report, however we were unable to verify absence through notes, phone log, etc. This has resulted in the attendance days being overstated by one day. This may evidence the fact that the teachers and the attendance staff are not taking due care and responsibility in reporting attendance correctly. Incorrect reporting of attendance will result in the disallowance of apportionment funding due to non-compliance with State regulations. The understatement of attendance has resulted in the ADA being overstated by 0.01 ADA.
2. We noted that one student reported by the teacher as present for one day had been reported as absent in the Monthly Attendance Report. This has resulted in the attendance days being understated by one day. This may evidence the fact that the teachers and the attendance staff are not taking due care and responsibility in reporting attendance correctly. Incorrect reporting of attendance will result in the disallowance of apportionment funding due to non-compliance with State regulations. The understatement of attendance has resulted in ADA being understated by 0.01 ADA.

Murray Middle School

1. We noted that three students reported by the teacher as present for one day had been reported as absent in the Monthly Attendance Report. This has resulted in the attendance days being overstated by three days. This may evidence the fact that the teachers and the attendance staff are not taking due care and responsibility in reporting attendance correctly. Incorrect reporting of attendance will result in the disallowance of apportionment funding due to non-compliance with State regulations. The overstatement of attendance has resulted in ADA being overstated by 0.02 ADA.

For all areas discussed above we expanded our testing to verify accurateness.

Questioned Costs: Based on re-computation of attendance, the District over reported ADA by .02 for a calculated overpayment of ADA funding of \$257.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

SECTION II – STATE - FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

Number: 2010-1 (Continued)

Context:

	<u>Number</u>	<u>Amount</u>
Population	5,077	<u>\$ 32,489,855</u>
Sample Size	140	<u>\$ 895,919</u>
Findings	.02	<u>\$ 128</u>

Effect: The total of the errors above had an effect of understating the District's reported ADA by .02.

Recommendation: We recommend that the District should emphasize to the teachers and the attendance staff the importance of reporting student absences and independent study contracts correctly, as attendance generates a large portion of the District's funding.

District Response: The District has sent all attendance staff to appropriate training and has provided additional guidance as a response to this finding. Additionally, the District will continue to monitor attendance accounting very closely throughout the current year and all subsequent years.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal Award Findings or Questioned Costs.

SIERRA SANDS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

2009-1

Findings:

During our audit of the financial statements, we noted control activities related to the initiation, recording, processing and review of certain transaction classes and account balances were not operating effectively. Numerous material adjusting journal entries were proposed by the auditor to correct misclassifications, particularly in the areas of revenue, deferred revenue, interfund transactions and capital assets. Additionally, we noted significant delays in the preparation of complete financial statements and note disclosures and a lack of supporting schedules and documentation resulting in significant delays in obtaining sufficient audit evidence to render an opinion on the District's financial statements. Such misstatements were not initially detected by the District's internal control processes, and as such, indicate material weaknesses in the District's internal controls over financial reporting.

Recommendation:

Management should continue to monitor the policies, procedures and control activities which include key attributes such as the overall timing, methodology, format, and frequency of analysis and reconciliations. Roles and responsibilities in the process should be documented, communicated, and periodically reviewed. Changes in authoritative guidance and regulations should be consistently monitored by those charged with governance over the district.

Reconciliations of all material account balances should be performed on a monthly basis, and all adjustments should be well supported, reviewed and approved by management.

An independent review of all significant judgments and estimates, treatments of non-routine events and transactions, and journal entries should be performed in a timely manner by a member of management or consultants who are not directly involved in the preparation of the financial statements.

An independent review of the financial statements and all related disclosures should be performed by management and/or other suitably qualified personnel for completeness, consistency, and compliance with generally accepted accounting principles, federal and state regulations, and the District's accounting and disclosure policies.

Current Status:

Fully implemented.