

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**

**COUNTY OF KERN  
RIDGECREST, CALIFORNIA**

**AUDIT REPORT  
JUNE 30, 2014**

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

## INTRODUCTORY SECTION

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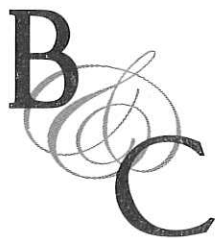
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## FINANCIAL SECTION



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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Sierra Sands Unified School District  
Lake Isabella, 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 (the District), as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Sands Unified School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sierra Sands Unified School District  
Page 2

#### **Other Matters**

##### *Required Supplementary Information*

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 11 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and other supplementary information as listed in the table of contents (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The other supplementary information is presented as required by the State of California Education Audit Appeals Panel, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sierra Sands Unified School District's internal control over financial reporting and compliance.

*Burkey & Cox CPAs*

BURKEY COX EVANS & BRADFORD  
Accountancy Corporation

Palmdale, California  
December 13, 2014

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

This section of the Sierra Sands Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net position on June 30, 2014 was \$66,258,824 compared to \$60,489,308 on June 30, 2013
- During the year, the District's net expenses were \$40,654,935, which is \$5,769,516 less than the \$46,424,451 generated in taxes and other revenues for governmental activities
- The District's total revenues in 2013-14 were \$58,675,472 compared to \$50,589,965 in 2012-13
- The District's total expenses in 2013-14 were \$52,905,956 compared to \$49,209,308 in 2012-13
- The general fund reported a balance on June 30, 2014 of \$5,123,446 compared to an ending balance of \$8,066,042 on June 30, 2013

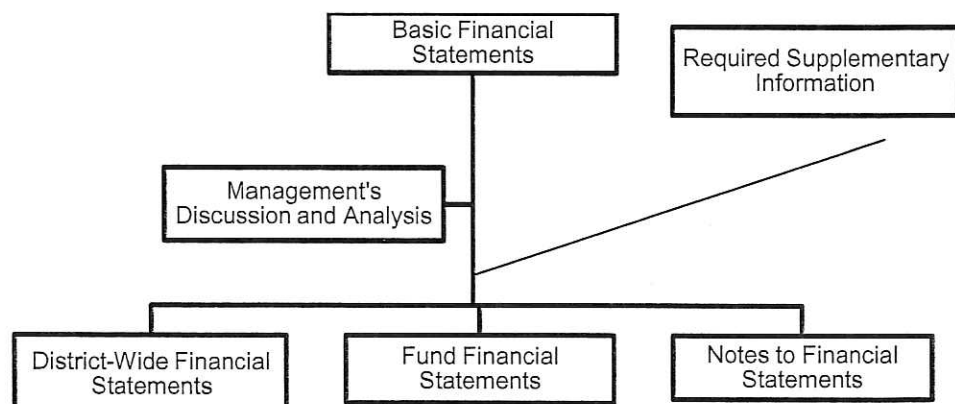
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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



**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

#### **DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**FUND FINANCIAL STATEMENTS**

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

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

The District has two kinds of funds:

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

During the 2013-14 school year the District embarked on the preparatory stages of construction for the BHS modernization project and the building of the new Murray Middle School. These projects are made possible through grants from the Department of Defense – Office of Economic Adjustments, which will fund 80% of the cost of each project with the District funding the remaining 20%. Projects are anticipated to be completed in summer and fall of 2017, respectively.

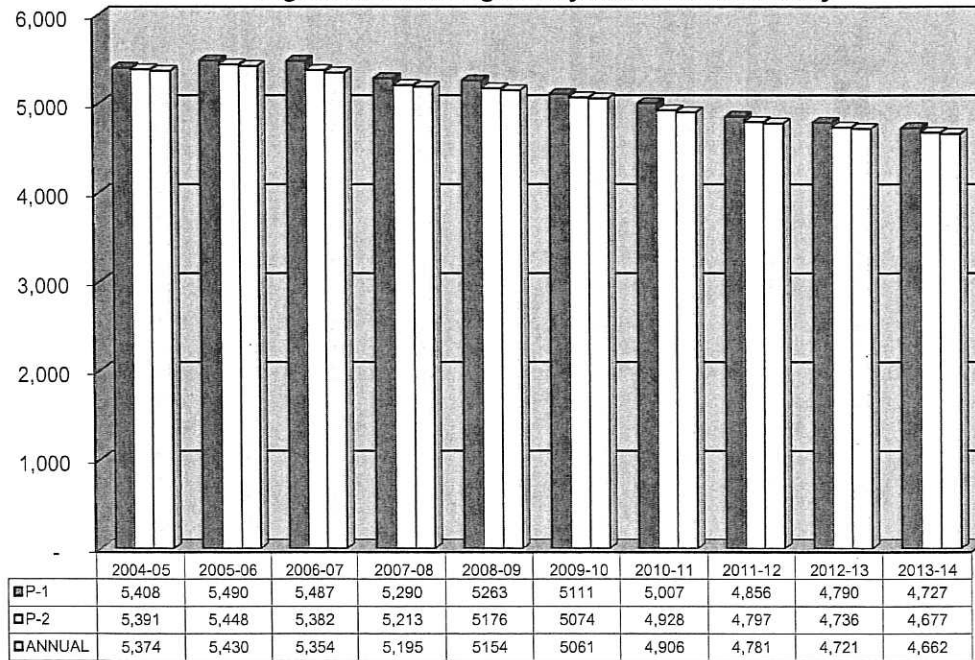
The District's budget committee continued to meet through 2013-14. As the Local Control Funding Formula requires the creation of a Local Control Accountability Plan which is formed with input from a Leadership Committee, the District is considering combining the two committees for the following year to have a more effective assessment team in line with the new guidelines for the LCAP and the budget.

**Average Daily Attendance**

For the eighth 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 2013-14 was 4677 compared to 4736 ADA at P-2 in 2012-13 and 4797 ADA at P-2 in 2011-12. The following graph (Figure A-3) reflects the District's decline in enrollment which is due to a number of factors including the availability of additional alternative education opportunities for area students. Figure A-3 displays the District's average daily attendance history since fiscal year 2004/2005.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Figure A-3: Average Daily Attendance History**



**Net Position**

The District's total net position was more (9.5%) on June 30, 2014 than it was the year before increasing by approximately \$5.77M (See Table A-1). The year to year differences are primarily reflective of the District's initiatives relating to its facilities program.

**Table A-1: Condensed Statements of Net Position**

	June 30, 2014	June 30, 2013	Change	Percentage Change
<b>Assets:</b>				
Current Assets	\$ 46,625,033	\$ 44,162,516	\$ 2,462,517	5.6%
Capital Assets	79,807,810	78,026,338	1,781,472	2.3%
Total Assets	<u>\$ 126,432,843</u>	<u>\$ 122,188,854</u>	<u>\$ 4,243,989</u>	<u>3.5%</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 9,554,989	\$ 11,133,586	\$ (1,578,597)	-14.2%
Long-term Liabilities	50,619,030	50,565,960	53,070	0.1%
Total Liabilities	<u>60,174,019</u>	<u>61,699,546</u>	<u>(1,525,527)</u>	<u>-2.5%</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	34,996,971	32,007,172	2,989,799	9.3%
Restricted	8,434,355	10,626,960	(2,192,605)	-20.6%
Unrestricted	<u>22,827,498</u>	<u>17,855,176</u>	<u>4,972,322</u>	<u>27.8%</u>
Total Net Position	<u>66,258,824</u>	<u>60,489,308</u>	<u>5,769,516</u>	<u>9.5%</u>
Total Liabilities and Net Position	<u>\$ 126,432,843</u>	<u>\$ 122,188,854</u>	<u>\$ 4,243,989</u>	<u>3.5%</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Changes in Net Position**

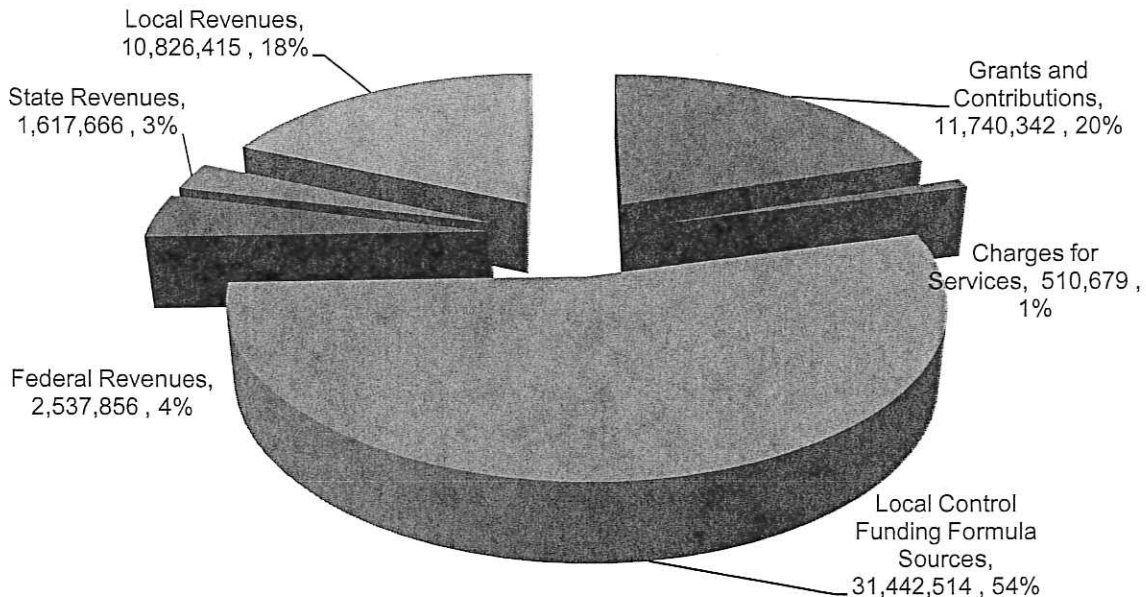
The District's total revenues increased by 16.0% (See Table A-2). This increase is in large part due to increases in LCFF funding, federal program grants, and facilities funding.

The District's total expenditures increased by 7.5% (See Table A-2). This increase is primarily due to the District's facilities initiatives as well as the inclusion of all collective bargaining outcomes and increased utility costs. The District's expenses are predominantly related to instruction, instruction related services, and pupil services (77%) (See Figure A-5).

**Table A-2: Condensed Statements of Activities**

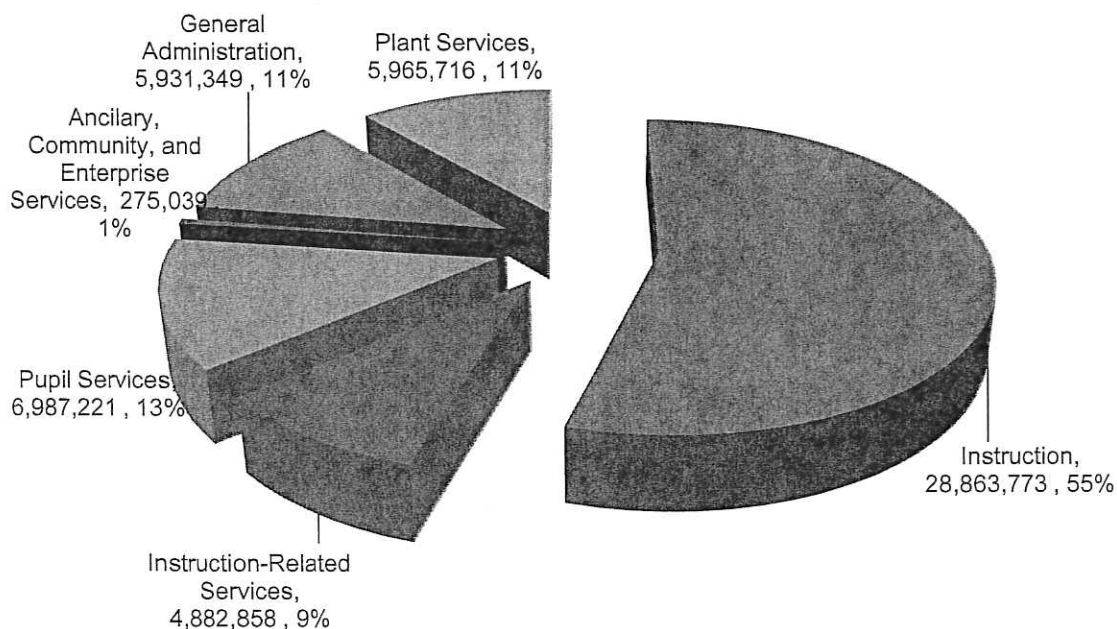
	June 30, 2014	June 30, 2013	Change	Percentage Change
Revenues:				
Program Revenues	\$ 11,740,342	\$ 10,823,909	\$ 916,433	8.5%
Charges for Services	510,679	589,688	(79,009)	-13.4%
General Revenue	46,424,451	39,176,368	7,248,083	18.5%
Total Revenues	58,675,472	50,589,965	8,085,507	16.0%
Expenditures:				
Expenditures	52,905,956	49,209,308	43,628	0.1%
Total Expenditures	52,905,956	49,209,308	43,628	0.1%
Change in Net Position	\$ 5,769,516	\$ 1,380,657	\$ 8,041,879	582.5%

**Figure A-4: Revenues for Fiscal Year 2014**



**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Figure A-5: Expenses for Fiscal Year 2014**



**Governmental Activities**

The cost of all governmental activities this year was \$52,905,956 (See Table A-2). Some of the costs were paid by the users of the District's programs (\$510,679). Certain programs were subsidized by operating grants/contributions (\$11,740,342). Most of the District's costs (\$40,654,935), however, were paid for by the District and other California state taxpayers.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The strong financial performance of the District as a whole is reflected in its governmental funds. Governmental Funds are comprised of the General Fund (reflected in the audit report as a combination of the General Fund, Adult School, Deferred Maintenance, Special Reserve for Non-Capital outlay, and Post-Employment Benefits), the Blended Component Unit (Inyo-Kern Schools Financing Authority), and Other Governmental Funds (a combination of the Child Development, Food Service, Building Fund, School Facilities, and Developer Fees). (See Statement of Fund Balances for Governmental Funds and the Combining Statement of Fund Balances) As the District completed the year, its governmental funds reported combined fund balances of \$37.07 million, compared to \$33.03 million in 2012-13.

The total net change of all governmental fund balances equaled \$4.04 million and all fund balances continued to be positive. This increase in total net fund balance is largely due to the District's continued implementation of its facilities and modernization program absent the timely receipt of State Matching funds.

**STUDENT BODY FUND**

The District continued to vigorously manage its student body funds. The District experienced no audit findings in this area in 2013-14. To maintain compliance and internal controls, the District will continue to proactively and regularly monitor student body financial reports, provide staff development opportunities, maintain communication, and upgrade accounting tools.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In 2013-14, California's school finance system experienced a landmark reform since the creation of revenue limits and categorical programs in 1972. After 5 years of financial quagmire, rebuilding is the task at hand under a new funding mechanism – the Local Control Funding formula or LCFF, and its corresponding accountability model, the Local Control Accountability Plan or LCAP. The LCFF is intended to correct historical inequities and increase flexibility.

Full funding of the LCFF is projected to be accomplished by 2020-2021. With this major change in public education's funding mechanism came new opportunities and new challenges, particularly as implementation guidance was limited. Fiscal year 2013-14 has therefore been a year of transition.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013-14, the District had capital asset investments valued at \$104.57 million. These assets include school buildings, administrative buildings (including the Sierra Vista Center), athletic facilities, computers, and equipment. (See Table A-3). Total accumulated depreciation amounted to \$24.76 million. The capital asset investments experienced a net increase (including additions and deductions) of \$1.78 million over last year. More detailed information about capital assets can be found in Note 6 to the financial statements.

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

	2013-2014	2012-2013	Change	% Change
Sites, Buildings & Improvements	\$ 51,836,981	\$ 14,442,687	\$37,394,294	258.9%
Equipment	2,036,483	2,328,498	(292,015)	-12.5%
Work in Progress	25,934,346	61,255,153	(35,320,807)	-57.7%
	<u>\$ 79,807,810</u>	<u>\$ 78,026,338</u>	<u>\$ 1,781,472</u>	<u>2.3%</u>

**Long-Term Debt**

The District maintains six debt obligations other than current liabilities. The first type of debt is compensated absences (i.e. employee vacations) which has a current liability of \$89,855. The second area relates to the passage of Measure A, a governmental obligation bond in the amount of \$50,500,000 for modernization for each of the District's eleven school sites (of which \$24,869,400 has been funded). The third is a lease revenue bond in the amount of \$4,500,000 to facilitate in the purchase and renovation of a support facility. The District's current liability for the lease revenue bond is \$3,675,000.

The fourth is a \$3.0M State loan incurred by the District for the matching fund amount associated with the grant utilized to construct the CTE building. This grant was funded under Proposition 1D and required a \$3.0M match by the District. Construction began in 2010-11 and it was completed in the spring of 2012. The fifth is a Qualified School Construction Bond (QSCB) being used to leverage Measure A bond funds. The QSCB enabled the District to continue its Modernization efforts. Series A was funded in July 2010 in the amount of \$14,150,000. Use of state matching funds related to modernization and a portion of remaining Measure A bond authorization when it is available will be used to repay this debt.

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 \$126,000.

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Bonded Debt**

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

**Table A-4: Bonded Debt**

Year Ending June 30,	Principal	Interest	Total
2015	\$ 667,752	\$ 695,035	\$ 1,362,787
2016	753,681	678,705	1,432,386
2017	841,967	666,020	1,507,987
2018	941,242	648,844	1,590,086
2019	1,037,236	640,250	1,677,486
2020-2024	7,042,702	2,821,741	9,864,443
2025-2029	6,396,192	6,614,797	13,010,989
2030-2034	4,764,230	12,263,523	17,027,753
Totals	<u>\$ 22,445,002</u>	<u>\$ 25,028,915</u>	<u>\$47,473,917</u>

**Other Debt – Lease Revenue Bond**

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

**Table A-5: Lease Revenue Bond**

Year Ending June 30,	Principal	Interest	Total
2015	\$ 140,000	\$ 152,382	\$ 292,382
2016	150,000	146,783	296,783
2017	155,000	140,783	295,783
2018	160,000	134,583	294,583
2019	165,000	128,183	293,183
2020-2024	940,000	535,323	1,475,323
2025-2029	1,150,000	323,390	1,473,390
2030-2033	815,000	70,337	885,337
Totals	<u>\$ 3,675,000</u>	<u>\$ 1,631,764</u>	<u>\$ 5,306,764</u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- As of the 2013-14 school year, the Local Control Funding Formula (LCFF) has replaced Revenue Limit and most categorical programs as a funding mechanism. Under Revenue Limit Funding (Prop. 98) a minimum funding level was established for K-14. However, under LCFF there are no state statutes that specify an annual appropriation to support the LCFF. Therefore, annual LCFF entitlement will be determined by any available appropriations.
- Categorical programs have been swept up into the unrestricted general fund, even as requirements related to the delivery of specialized services to targeted student groups have continued. The District must specify its actions to achieve the goals set in the Local Control Accountability Plan (LCAP). Per the District's LCAP, targeted funds must be used to increase and improve services for the students who generate the funds.
- New Legislation in SB 858 contains provisions requiring districts to substantiate the need for unassigned ending fund balances above a district's required minimum reserve starting in the 2014-16 fiscal year.
- Implementation of the K-3 class size adjustments require increased staffing to meet staffing goals.
- The District continues to monitor enrollment.
- The economy – state and national level – is moving forward but slowly.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**SIERRA SANDS UNIFIED SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2014

**ASSETS:**

Cash in County Treasury	\$	23,265,423
Cash on Hand and in Banks		2,006,704
Cash in Revolving Fund		22,000
Cash with a Fiscal Agent/Trustee		5,062,536
Accounts Receivable		16,186,463
Prepays		5,168
Stores Inventories		76,739
Capital Assets (Net)		79,807,810
Total Assets	\$	<u>126,432,843</u>

**LIABILITIES:**

Accounts Payable	\$	9,497,323
Deferred Revenue		57,666
Noncurrent Liabilities:		
Due within one year		4,626,412
Due in more than one year		<u>45,992,618</u>
Total Liabilities		<u>60,174,019</u>

**NET POSITION:**

Net Investment in Capital Assets		34,996,971
Restricted For:		
Debt Service		3,005,374
Capital Projects		4,694,220
Special Revenue		734,761
Unrestricted		<u>22,827,498</u>
Total Net Position	\$	<u>66,258,824</u>

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Instruction	\$ 28,863,773	\$ -	\$ 5,099,487	\$ (23,764,286)
Instruction-Related Services	4,882,858	-	848,815	(4,034,043)
Pupil Services	6,987,221	444,436	2,191,718	(4,351,067)
Ancillary Services	249,272	-	42,977	(206,295)
Community Services	4,588	-	791	(3,797)
Enterprise	21,179	-	3,652	(17,527)
General Administration	5,931,349	29,653	487,646	(5,414,050)
Plant Services	5,965,716	36,590	3,065,256	(2,863,870)
Total Governmental Activities	<u>\$ 52,905,956</u>	<u>\$ 510,679</u>	<u>\$ 11,740,342</u>	<u>(40,654,935)</u>
General Revenues				
LCFF Sources				31,442,514
Federal Revenues				2,537,856
State Revenues				1,617,666
Local Revenues				<u>10,826,415</u>
Total General Revenues				<u>46,424,451</u>
Change in Net Position				5,769,516
Net Position - Beginning				<u>60,489,308</u>
Net Position - Ending				<u>\$ 66,258,824</u>

See independent auditors' report and accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash in County Treasury	\$ 15,826,933	\$ 1,098,126	\$ -	\$ 6,340,364	\$ 23,265,423
Cash on Hand and in Banks	67,810	-	-	1,938,894	2,006,704
Cash in Revolving Fund	22,000	-	-	-	22,000
Cash with Fiscal Agent/Trustee	-	-	5,062,536	-	5,062,536
Accounts Receivable	6,558,323	9,379,805	3,923	244,412	16,186,463
Due from Other Funds	2,032,615	1,069,942	-	29,214	3,131,771
Prepays	5,168	-	-	-	5,168
Stores Inventories	47,203	-	-	29,536	76,739
Total Assets	<u>\$ 24,560,052</u>	<u>\$ 11,547,873</u>	<u>\$ 5,066,459</u>	<u>\$ 8,582,420</u>	<u>\$ 49,756,804</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
Liabilities:					
Accounts Payable	\$ 9,198,790	\$ 195,274	\$ -	\$ 103,259	\$ 9,497,323
Due to Other Funds	237,986	2,035,513	813,466	44,806	3,131,771
Deferred Revenue	57,666	-	-	-	57,666
Total Liabilities	<u>9,494,442</u>	<u>2,230,787</u>	<u>813,466</u>	<u>148,065</u>	<u>12,686,760</u>
Fund Balance:					
Nonspendable Fund Balances:					
Revolving Cash	22,000	-	-	-	22,000
Stores Inventories	47,203	-	-	29,536	76,739
Prepays	5,168	-	-	-	5,168
Restricted	861,228	2,581,636	-	4,941,998	8,384,862
Committed	11,837,657	6,735,450	4,252,993	3,462,821	26,288,921
Assigned Fund Balance	-	-	-	-	-
Unassigned:					
Reserve for Economic Uncertainty	2,292,355	-	-	-	2,292,355
Other Unassigned	-	-	-	-	-
Total Fund Balance	<u>15,065,610</u>	<u>9,317,086</u>	<u>4,252,993</u>	<u>8,434,355</u>	<u>37,070,044</u>
Total Liabilities and Fund Balances	<u>\$ 24,560,052</u>	<u>\$ 11,547,873</u>	<u>\$ 5,066,459</u>	<u>\$ 8,582,420</u>	<u>\$ 49,756,804</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Total Fund Balances of Governmental Funds	\$ 37,070,044
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,807,810
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
State of California Contract	(2,070,293)
General Obligation Bonds	(22,445,002)
Bond Premium	(355,544)
Lease Revenue Bonds	(3,675,000)
Certificates of Participation	(16,265,000)
Employment Benefit Obligations	(5,808,191)
Total Long-term Liabilities	<u>(50,619,030)</u>
Net Position of Governmental Activities	<u>\$ 66,258,824</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
Revenues:					
LCFF Sources:					
State Apportionments	\$ 18,000,217	\$ -	\$ -	\$ -	\$ 18,000,217
Education Protection Account Funds	5,427,029	-	-	-	5,427,029
Local Sources	8,015,268	-	-	-	8,015,268
Federal Revenue	5,161,652	2,080,808	-	2,014,614	9,257,074
Other State Revenue	5,994,001	-	-	536,974	6,530,975
Other Local Revenue	541,281	8,188,200	695,257	2,020,171	11,444,909
Total Revenues	<u>43,139,448</u>	<u>10,269,008</u>	<u>695,257</u>	<u>4,571,759</u>	<u>58,675,472</u>
Expenditures:					
Instruction	27,271,159	-	-	385,383	27,656,542
Instruction - Related Services	4,865,820	-	-	17,038	4,882,858
Pupil Services	4,533,989	-	-	1,946,246	6,480,235
Ancillary Services	249,272	-	-	-	249,272
Community Services	4,588	-	-	-	4,588
Enterprise	21,179	-	-	-	21,179
General Administration	2,515,746	-	-	124,233	2,639,979
Plant Services	5,654,036	3,559,951	-	247,418	9,461,405
Debt Service:					
Principal	153,044	280,279	-	760,843	1,194,166
Interest	3,455	92,564	-	1,929,001	2,025,020
Total Expenditures	<u>45,272,288</u>	<u>3,932,794</u>	<u>-</u>	<u>5,410,162</u>	<u>54,615,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,132,840)</u>	<u>6,336,214</u>	<u>695,257</u>	<u>(838,403)</u>	<u>4,060,228</u>
Other Financing Sources (Uses):					
Transfers In	514,241	1,048,323	-	652,594	2,215,158
Transfers Out	(1,013,870)	-	(1,127,041)	(74,247)	(2,215,158)
Other Sources	(19,114)	-	-	-	(19,114)
Total Other Financing Sources (Uses)	<u>(518,743)</u>	<u>1,048,323</u>	<u>(1,127,041)</u>	<u>578,347</u>	<u>(19,114)</u>
Net Change in Fund Balance	(2,651,583)	7,384,537	(431,784)	(260,056)	4,041,114
Fund Balance, July 1	17,717,193	1,932,549	4,684,777	8,694,411	33,028,930
Fund Balance, June 30	<u>\$ 15,065,610</u>	<u>\$ 9,317,086</u>	<u>\$ 4,252,993</u>	<u>\$ 8,434,355</u>	<u>\$ 37,070,044</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

Net Change in Fund Balances - Total Governmental Funds	\$ 4,041,114
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded capital asset decreases in the current fiscal year.	3,495,689
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Depreciation expense for the fiscal year being reported.	(1,714,217)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.

State of California Contract	301,279
General Obligation Bonds	586,227
Bond Premium	17,777
Lease Revenue Bonds	135,000
Capital Lease Obligations	168,044
Employment Benefit Obligations	<u>(1,261,397)</u>

Change in Net Position of Governmental Activities	<u>\$ 5,769,516</u>
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**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	Agency Fund
	Student Body
	Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 474,464
Total Assets	<u>\$ 474,464</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 474,464
Total Liabilities	<u>474,464</u>
<b>NET POSITION:</b>	
Total Net Position	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

- **Manifestations of Oversight**

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

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

- **Accountability for Fiscal Matters**

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

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

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

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

- **Scope of Public Service**

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Reporting Entity (Continued)

• Financial Presentation

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

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

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

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

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

The value of the real property conveyed to the Authority from the Lone Pine Unified School District was not determinable at June 30, 2014. The value of the real property was not determinable, as governmental property in Inyo County is not assessed.

C. Basis of Presentation

Government-wide Financial Statements:

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of governmental fund reporting is on major funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. All other funds are aggregated and reported by fund type.

The District reports the following major governmental funds:

1. General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
2. Special Reserve Fund for Capital Outlay Projects is used to account for revenues accumulated and expended for capital expenditures including building, sites, improvements and equipment.
3. Blended Component Unit is used to account for the acquisition and construction of District facilities financed through the issuance of Certificates of Participation.

The District reports the following nonmajor governmental funds:

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

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

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

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

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basis of Presentation (Continued)

The District reports the following fund types:

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

D. Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (giving) equal value in exchange, include property taxes, grants, and state revenue limits. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and revenue limits is recognized in the fiscal year for which all eligibility requirements have been satisfied. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has the option of following subsequent private sector guidance, but has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, retiree health benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the District's policy to first apply grant resources to such programs and then general revenues.

E. Budgets and Budgetary Accounting

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

F. Cash and Investments

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Interfund Receivables and Payables**

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

**H. Accounts Receivable and Unearned (Deferred) Revenue**

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables. As of June 30, 2014, management determined no allowance for doubtful accounts was necessary.

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.

**I. Stores Inventories**

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

**J. Capital Assets**

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

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

**K. Accrued Liabilities and Long-Term Debt Obligations**

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**L. Compensated Absences**

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

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

**M. Net Position**

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

**N. Fund Balance**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balance (Continued)**

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

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

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

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

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

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

**O. Revenue / Property Tax**

The District's revenue is received from a combination of local property taxes, state apportionments, and other local sources. The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy.

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Use of Estimates**

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

**Q. Subsequent Events**

Subsequent events have been evaluated through December 13, 2014, the date that the financial statements were available to be issued.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments consisted of the following at June 30, 2014:

	Governmental Funds
Cash on Hand and in Banks	\$ 2,028,704
Pooled Investments - Kern County Treasury	23,265,423
Cash with Fiscal Agent	5,062,536
Total	<u>\$ 30,356,663</u>

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

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio *</b>	<b>Maximum Investment in One Issuer</b>
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Notes	5 years**	100%	None
Federal Agency Obligations	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Non-negotiable Certificates of Deposit	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes**	5 years	30%	None
Repurchase Agreements	1 year	100%	None
Reverse Purchase Agreements and Securities Lending Agreements	92 days***	20%	None
Money Market Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	100%	None
Bank/Time Deposits	5 years	100%	None
Pooled Investment Funds	N/A	100%	None
Mortgage Pass-Through Securities	5 years	20%	None
Voluntary Investment Program Fund	N/A	100%	None
California Local Agency Investment Fund (LAIF)	N/A	100%	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

\*\* Except when authorized by the District's legislative body in accordance with Government Code Section 53601

\*\*\* Except when the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse purchase agreement or securities lending agreement and the final maturity dates of the same security.

**Custodial Credit Risk**

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District' name.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Investment in Kern 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.

**Interest Rate Risk**

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

Investments at June 30, 2014, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Adjustment*</u>	<u>Carrying Amount</u>
Cash on Hand and in Banks	\$ 2,028,704	\$ -	\$ 2,028,704
Kern County Investment Pool	23,174,688	90,735	23,265,423
Cash with Fiscal Agent	5,062,536	-	5,062,536
Total	<u>\$ 30,265,928</u>	<u>\$ 90,735</u>	<u>\$ 30,356,663</u>

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		
	<u>12 months or less</u>	<u>13 to 36 months</u>	<u>37 to 60 months</u>
Cash on Hand and in Banks	\$ 2,028,704	\$ -	\$ -
Kern County Investment Pool	12,316,715	7,137,832	3,810,876
Cash with Fiscal Agent	5,062,536	-	-
Total	<u>\$ 19,407,955</u>	<u>\$ 7,137,832</u>	<u>\$ 3,810,876</u>

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

**Credit Risk**

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Credit rating as of June 30, 2014, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Ratings AAA</u>
Cash on Hand and in Banks	\$ 2,028,704	N/A	\$ 2,028,704	-
Kern County Investment Pool	23,265,423	N/A	23,265,423	-
Cash with Fiscal Agent	5,062,536	N/A	5,062,536	-
Total	<u>\$ 30,356,663</u>		<u>\$ 30,356,663</u>	

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2014, expenditures exceeded final appropriations in individual funds as follows:

<u>Fund</u>	<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	Certificated Salaries	\$ 53,002
	Classified Salaries	\$ 88,449
	Services and Other Operating Expenditures	\$ 27,749
	Principal	\$ 153,044
	Interest and Fiscal Charges	\$ 3,455
	Transfers Out	\$ 1,320,132
	Other Sources	\$ 19,114
Cafeteria Fund:	Classified Salaries	\$ 10,056
Child Development Fund:	Certificated Salaries	\$ 352
	Capital Outlay	\$ 9,600
	Direct Support/Indirect Costs	\$ 5,075
Bond Interest and Redemption:	Principal	\$ 589,843
	Interest and Fiscal Charges	\$ 710,343
Blended Component Unit:	Principal	\$ 135,000
	Interest and Fiscal Charges	\$ 1,218,658
Blended Component Unit:	Transfers Out	\$ 1,127,041
Capital Facilities Fund:	Services and Other Operating Expenditures	\$ 184,847
Capital Outlay Projects:	Books and Supplies	\$ 129
	Services and Other Operating Expenditures	\$ 463,562
	Capital Outlay	\$ 3,096,260
	Principal	\$ 280,279
	Interest and Fiscal Charges	\$ 92,564
County Schools Facilities Fund:	Classified Salaries	\$ 420
	Employee Benefits	\$ 49
	Services and Other Operating Expenditures	\$ 188
	Capital Outlay	\$ 41,263

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables at June 30, 2014, consist of the following:

	Governmental Funds				
	General Fund	Special Reserve Fund for Capital Outlay Projects	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
<b>Federal Government:</b>					
Federal Financial					
Assistance Programs	\$ 1,914,117	\$ 9,379,805	\$ -	\$ 136,954	\$ 11,430,876
Total Federal	1,914,117	9,379,805	-	136,954	11,430,876
<b>State Government:</b>					
State Financial					
Assistance Programs	1,418,421	-	-	81,260	1,499,681
State Apportionment					
Revenue Limit	3,124,771	-	-	-	3,124,771
Total State	4,543,192	-	-	81,260	4,624,452
<b>Local Receivables:</b>					
Local Sources	85,645	-	-	16,560	102,205
Interest Receivable	15,369	-	3,923	9,638	28,930
Total Local	101,014	-	3,923	26,198	131,135
Total Accounts Receivable	\$ 6,558,323	\$ 9,379,805	\$ 3,923	\$ 244,412	\$ 16,186,463

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Due From / Due To Other Funds: – Individual fund interfund receivable and payable balances at June 30, 2014, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,032,615	\$ 237,986
Capital Facilities Fund	28,900	500
Capital Outlay Projects	1,069,942	2,035,513
Cafeteria Fund	-	3,908
Child Development Fund	314	1,839
County School Facilities Fund	-	38,559
Blended Component Unit	-	813,466
Total	\$ 3,131,771	\$ 3,131,771

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers – Consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2013/2014 fiscal year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 514,241	\$ 1,013,870
Capital Outlay Projects	1,048,323	-
County Schools Facilities	-	74,247
Blended Component Unit	652,594	-
Blended Component Unit	-	1,127,041
Total	<u>\$ 2,215,158</u>	<u>\$ 2,215,158</u>

### NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2014, are shown below:

	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Non-depreciable Capital Assets					
Land	\$ 174,529	\$ -	\$ -	\$ -	\$ 174,529
Work in Progress	61,255,153	3,434,655	-	(38,755,462)	25,934,346
Total Non-depreciable Capital Assets	<u>61,429,682</u>	<u>3,434,655</u>	<u>-</u>	<u>(38,755,462)</u>	<u>26,108,875</u>
Depreciable Capital Assets					
Buildings and Improvements	34,177,650	-	(632,129)	38,755,462	72,300,983
Machinery and Equipment	6,129,609	61,034	(31,687)	-	6,158,956
Total Depreciable Capital Assets	<u>40,307,259</u>	<u>61,034</u>	<u>(663,816)</u>	<u>38,755,462</u>	<u>78,459,939</u>
<u>Less: Accumulated Depreciation:</u>					
Buildings and Improvements	(19,909,492)	(1,361,168)	632,129	-	(20,638,531)
Machinery and Equipment	(3,801,111)	(353,049)	31,687	-	(4,122,473)
Total Accumulated Depreciation	<u>(23,710,603)</u>	<u>(1,714,217)</u>	<u>663,816</u>	<u>-</u>	<u>(24,761,004)</u>
Net Depreciable Capital Assets	<u>16,596,656</u>	<u>(1,653,183)</u>	<u>-</u>	<u>38,755,462</u>	<u>53,698,935</u>
Total Capital Assets, Net	<u>\$ 78,026,338</u>	<u>\$ 1,781,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,807,810</u>

Depreciation expense was charged to governmental activities as follows for the year ended June 30, 2014:

Instruction	\$ 1,207,231
Transportation	506,986
Total Depreciation Expenses	<u>\$ 1,714,217</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS**

State of California Career Tech Education

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 291,941	\$ 80,902	\$ 372,843
2016	304,089	68,754	372,843
2017	316,742	56,101	372,843
2018	329,922	42,921	372,843
2019	343,650	29,193	372,843
2020-2023	357,949	14,894	372,843
Totals	<u>\$ 1,944,293</u>	<u>\$ 292,765</u>	<u>\$ 2,237,058</u>

State of California CDE

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 21,000	\$ -	\$ 21,000
2016	21,000	-	21,000
2017	21,000	-	21,000
2018	21,000	-	21,000
2019	21,000	-	21,000
2020-2023	21,000	-	21,000
Totals	<u>\$ 126,000</u>	<u>\$ -</u>	<u>\$ 126,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 312,941	\$ 80,902	\$ 393,843
2016	325,089	68,754	393,843
2017	337,742	56,101	393,843
2018	350,922	42,921	393,843
2019	364,650	29,193	393,843
2020-2023	378,949	14,894	393,843
Totals	<u>\$ 2,070,293</u>	<u>\$ 292,765</u>	<u>\$ 2,363,058</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)**

Certificates of Participation 2010 Series A

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 955,125	\$ 955,125
2016	-	955,125	955,125
2017	1,100,000	955,125	2,055,125
2018	1,100,000	880,875	1,980,875
2019	1,100,000	806,625	1,906,625
2020-2024	5,500,000	2,919,375	8,419,375
2025-2028	5,350,000	648,000	5,998,000
Totals	<u>\$ 14,150,000</u>	<u>\$ 8,120,250</u>	<u>\$ 22,270,250</u>

Certificates of Participation 2010 Series B

In July of 2010, the Sierra Sands Unified School District entered into an agreement with the Inyo-Kern Schools Financing Authority and U.S. Bank National Association, to finance the modernization, equipping, furnishing and/or improving of certain capital facilities of the District in relation to the 2010 Series B Taxable Certificates of Participation. The agreement is for a four year period payable annually (commencing June 2017) with an interest rate of 5.00%, effectively immediately. Future obligations payable under the contract are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,115,000	\$ 105,750	\$ 2,220,750
Totals	<u>\$ 2,115,000</u>	<u>\$ 105,750</u>	<u>\$ 2,220,750</u>

The combined future principal and interest repayment of the certificates of participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,115,000	\$ 1,060,875	\$ 3,175,875
2016	-	955,125	955,125
2017	1,100,000	955,125	2,055,125
2018	1,100,000	880,875	1,980,875
2019	1,100,000	806,625	1,906,625
2020-2024	5,500,000	2,919,375	8,419,375
2025-2028	5,350,000	648,000	5,998,000
Totals	<u>\$ 16,265,000</u>	<u>\$ 8,226,000</u>	<u>\$ 24,491,000</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014, the principal balance of the General Obligation Bonds – Election 2006 was \$17,072,868. The principal and interest repayment of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 640,000	\$ 559,162	\$ 1,199,162
2016	720,000	528,761	1,248,761
2017	800,000	494,361	1,294,361
2018	895,000	456,461	1,351,461
2019	985,000	418,861	1,403,861
2020-2024	6,565,000	1,298,085	7,863,085
2025-2029	4,681,458	5,036,419	9,717,877
2030-2033	1,786,410	3,873,589	5,659,999
Totals	<u>\$ 17,072,868</u>	<u>\$ 12,665,699</u>	<u>\$ 29,738,567</u>

General Obligation Bonds – Series 2008

On December 10, 2008, the District sold \$5,401,532 of "Series 2008" general obligation bonds with interest rates ranging from 3.86% to 6.76% for the purpose of upgrading, renovating and modernizing classrooms and facilities for the District. At June 30, 2014, the principal balance of the General Obligation Bonds – Series 2008 was \$5,372,134. The principal and interest repayment of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 27,752	\$ 135,873	\$ 163,625
2016	33,681	149,944	183,625
2017	41,967	171,659	213,626
2018	46,242	192,383	238,625
2019	52,236	221,389	273,625
2020-2024	477,702	1,523,656	2,001,358
2025-2029	1,714,734	1,578,378	3,293,112
2030-2034	2,977,820	8,389,934	11,367,754
Totals	<u>\$ 5,372,134</u>	<u>\$ 12,363,216</u>	<u>\$ 17,735,350</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 667,752	\$ 695,035	\$ 1,362,787
2016	753,681	678,705	1,432,386
2017	841,967	666,020	1,507,987
2018	941,242	648,844	1,590,086
2019	1,037,236	640,250	1,677,486
2020-2024	7,042,702	2,821,741	9,864,443
2025-2029	6,396,192	6,614,797	13,010,989
2030-2034	4,764,230	12,263,523	17,027,753
Totals	<u>\$ 22,445,002</u>	<u>\$ 25,028,915</u>	<u>\$ 47,473,917</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS** (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 17,777	\$ -	\$ 17,777
2016	17,777	-	17,777
2017	17,777	-	17,777
2018	17,777	-	17,777
2019	17,777	-	17,777
2020-2024	88,885	-	88,885
2025-2029	88,885	-	88,885
2030-2034	88,889	-	88,889
Totals	<u>\$ 355,544</u>	<u>\$ -</u>	<u>\$ 355,544</u>

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

	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
General Obligation Bonds Election 2006	\$ 17,642,868	\$ -	\$ (570,000)	\$ 17,072,868
General Obligation Bonds Series 2008	5,391,977	-	(19,843)	5,372,134
Bond Premium	373,321	-	(17,777)	355,544
Total Long-Term Obligations	<u>\$ 23,408,166</u>	<u>\$ -</u>	<u>\$ (607,620)</u>	<u>\$ 22,800,546</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, 2014, is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2013</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2014</u>
03/01/07	4.00 to 4.2%	05/01/32	\$ 3,810,000	\$ 135,000	\$ 3,675,000

The annual requirements to amortize these Lease Revenue Bonds payable outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 140,000	\$ 152,382	\$ 292,382
2016	150,000	146,783	296,783
2017	155,000	140,783	295,783
2018	160,000	134,583	294,583
2019	165,000	128,183	293,183
2020-2024	940,000	535,323	1,475,323
2025-2029	1,150,000	323,390	1,473,390
2030-2033	815,000	70,337	885,337
Totals	<u>\$ 3,675,000</u>	<u>\$ 1,631,764</u>	<u>\$ 5,306,764</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 8 – LONG-TERM DEBT SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2014, is shown below:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Debt Obligations:					
State of California Contract	\$ 2,371,572	\$ -	\$ (301,279)	\$ 2,070,293	\$ 312,941
General Obligation Bonds	23,034,845	-	(589,843)	22,445,002	667,752
Bond Premium	373,321	-	(17,777)	355,544	17,777
Lease Revenue Bonds	3,810,000	-	(135,000)	3,675,000	140,000
Capital Lease Obligations	168,044	-	(168,044)	-	-
Certificates of Participation	16,265,000	-	-	16,265,000	2,115,000
Total Debt Obligations	46,022,782	-	(1,211,943)	44,810,839	3,253,470
Employment Benefit Obligations:					
Compensated Absences	79,937	9,918	-	89,855	-
Retiree Health Benefits	4,466,857	2,581,721	(1,330,242)	5,718,336	1,372,942
Total Employment Benefit Obligations	4,546,794	2,591,639	(1,330,242)	5,808,191	1,372,942
Total Long-Term Obligations	\$ 50,569,576	\$ 2,591,639	\$ (2,542,185)	\$ 50,619,030	\$ 4,626,412

**NOTE 9 – LEASES**

A. Capital Lease Obligations

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

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:

Year Ending June 30,	Amount
2015	\$ 55,940
2016	49,631
2017	47,227
2018	13,119
2019	7,653
Totals	\$ 173,570

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 10 – 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% 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 2013/2014 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, 2014, 2013, and 2012 were \$1,507,667, \$1,482,127, and \$1,449,639, 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.

Funding Policy

Active plan members are required to contribute 7% 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 2013/2014 was 11.442% of annual payroll. 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, 2014, 2013, and 2012 were \$1,098,619, \$1,145,420, and \$1,095,661, respectively, and equal 100% of the required contributions for each year.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

A. State and Federal Allowances, Awards and Grants

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

B. Joint Powers Agreements

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

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

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

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

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

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

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan, and changes in the District's New OPEB Obligation/(Assets):

Item	FYE 06/30/14
Annual Required Contributions	\$ 2,581,721
Contributions Made	(1,330,242)
Increase (Decrease) in New OPEB Obligation/(Asset)	1,251,479
Net OPEB Obligation/(Asset) - Beginning of Year	4,466,857
New OPEB Obligation/(Asset) - End of Year	<u>\$ 5,718,336</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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, 2014, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2014	\$ 2,581,721	\$ 1,330,242	51.53%	\$ 5,718,336
6/30/2013	\$ 2,581,721	\$ 1,249,493	48.40%	\$ 4,466,857
6/30/2012	\$ 2,283,123	\$ 1,797,436	78.73%	\$ 3,134,629
6/30/2011	\$ 2,283,123	\$ 1,438,228	62.99%	\$ 2,648,942
6/30/2010	\$ 1,994,750	\$ 1,124,918	56.39%	\$ 1,804,047
6/30/2009	\$ 1,994,750	\$ 1,060,535	53.17%	\$ 934,215

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ -	\$ 20,476,546	\$ 20,476,546	0.00%	\$ 24,957,781	82.04%
7/1/2010	\$ -	\$ 18,683,803	\$ 18,683,803	0.00%	\$ 24,495,435	76.27%
7/1/2007	\$ -	\$ 14,216,209	\$ 14,216,209	0.00%	\$ 28,984,429	49.05%

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.

**E. Actuarial Methods of Assumptions**

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

The plan's most recent actuarial valuation was performed as of July 1, 2012. 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.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 13 – JOINT VENTURES (JOINT POWERS AGREEMENT)**

The Sierra Sands Unified School District participates in three joint ventures under joint powers agreements (JPAs): Self Insured Schools of California I (SISC I), Self Insured Schools of California II (SISC II), and Self Insured Schools of California III (SISC III). The relationship between the Sierra Sands Unified School District and the JPA's is such that none of the JPA's is a component unit of Sierra Sands Unified School District for financial reporting purposes.

Plan Description

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

Funding Policy

The District contributes 3.1% of the eligible member's annual payroll. The contribution is intended to provide an annual normal retirement benefit equal to 1.5% of the eligible member's final average pay for covered service up to 30 years. The two classes of members for the SISC Defined Benefit Plan are classic and new. Classic members (those that started prior to January 1, 2013) do not contribute to the SISC Defined Benefit Plan. New members (those that started on or after January 1, 2013) are required to pay a portion of the contribution (1.5% of the 3.1%).

The Sierra Sands Unified School District's contribution to the SISC Defined Benefit Plan for the fiscal year ended June 30, 2014, was \$12,279 with new members paying \$1,512 and the District paying \$10,767.

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.

Condensed Financial Information

Condensed financial information for SISC I, SISC II for the year ended June 30, 2013, (latest information available) and SISC III for the year ended September 30, 2013, (latest information available) is as follows:

	SISC I	SISC II	SISC III
Total Assets	\$ 81,162,096	\$ 48,972,652	\$ 307,006,834
Total Liabilities	(57,606,012)	(27,771,260)	(139,744,058)
Retained Earnings / (Deficit)	\$ 23,556,084	\$ 21,201,392	\$ 167,262,776
Total Revenues	\$ 13,581,908	\$ 15,681,186	\$ 1,395,304,821
Total Expenditures	(12,991,753)	(18,217,560)	(1,386,741,291)
Net Increase (Decrease) in Fund Balance	\$ 590,155	\$ (2,536,374)	\$ 8,563,530

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 14 – COMPLIANCE AND ACCOUNTABILITY**

**A. Finance-Related Legal and Contractual Provisions.**

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

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

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

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

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

**NOTE 15 – MINIMUM FUND BALANCE POLICY**

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

**NOTE 16 – GASB 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS (AN AMENDMENT OF GASB STATEMENT NO. 27)**

In June 2012, GASB issued Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of Statement No. 27. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement are effective for the fiscal year ending June 30, 2015. This Statement will have impact to the financial statements, including restating prior periods. This restatement is expected to be material to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionments	\$ 22,864,692	\$ 21,648,001	\$ 18,000,217	\$ (3,647,784)
Education Protection Account Funds	-	4,584,840	5,427,029	842,189
Local Sources	3,970,448	5,145,783	8,015,268	2,869,485
Federal Revenue	4,068,456	5,467,582	5,161,652	(305,930)
Other State Revenue	9,078,089	5,936,179	5,994,001	57,822
Other Local Revenue	621,325	688,449	541,281	(147,168)
Total Revenues	<u>40,603,010</u>	<u>43,470,834</u>	<u>43,139,448</u>	<u>(331,386)</u>
Expenditures:				
Certificated Salaries	18,221,927	18,635,291	18,688,293	53,002
Classified Salaries	6,048,176	6,045,281	6,133,730	88,449
Employee Benefits	12,027,911	11,924,210	11,856,121	(68,089)
Books and Supplies	1,722,515	3,756,304	3,500,240	(256,064)
Services and Other Operating Expenditures	4,217,768	4,633,080	4,660,829	27,749
Other Outgoing	738,095	823,593	-	(823,593)
Direct Support/Indirect Costs	(70,000)	(70,000)	(71,989)	(1,989)
Capital Outlay	334,300	727,264	348,565	(378,699)
Debt Service:				
Principal	-	-	153,044	153,044
Interest	-	-	3,455	3,455
Total Expenditures	<u>43,240,692</u>	<u>46,475,023</u>	<u>45,272,288</u>	<u>(1,202,735)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,637,682)</u>	<u>(3,004,189)</u>	<u>(2,132,840)</u>	<u>871,349</u>
Other Financing Sources (Uses):				
Transfers In	639,528	361,276	1,181,779	820,503
Transfers Out	(639,528)	(361,276)	(1,681,408)	(1,320,132)
Other Sources	-	-	(19,114)	(19,114)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(518,743)</u>	<u>(518,743)</u>
Net Change in Fund Balance	<u>(2,637,682)</u>	<u>(3,004,189)</u>	<u>(2,651,583)</u>	<u>352,606</u>
Fund Balance, July 1	17,717,193	17,717,193	17,717,193	-
Fund Balance, June 30	<u>\$ 15,079,511</u>	<u>\$ 14,713,004</u>	<u>\$ 15,065,610</u>	<u>\$ 352,606</u>

See independent auditors' report.

## **COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS**

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**GENERAL FUND**  
**JUNE 30, 2014**

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
<b>ASSETS:</b>						
Cash in County Treasury	\$ 5,884,598	\$ 5,823,655	\$ 2,663,298	\$ 1,043,708	\$ 411,674	\$ 15,826,933
Cash on Hand and in Banks	67,810	-	-	-	-	67,810
Cash in Revolving Fund	22,000	-	-	-	-	22,000
Accounts Receivable	6,555,343	-	2,251	519	210	6,558,323
Due from Other Funds	2,032,615	-	-	-	-	2,032,615
Prepays	5,168	-	-	-	-	5,168
Stores Inventories	47,203	-	-	-	-	47,203
Total Assets	<u>\$ 14,614,737</u>	<u>\$ 5,823,655</u>	<u>\$ 2,665,549</u>	<u>\$ 1,044,227</u>	<u>\$ 411,884</u>	<u>\$ 24,560,052</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 9,195,639	\$ -	\$ -	\$ -	\$ 3,151	\$ 9,198,790
Due to Other Funds	237,986	-	-	-	-	237,986
Deferred Revenue	57,666	-	-	-	-	57,666
Total Liabilities	<u>9,491,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,151</u>	<u>9,494,442</u>
<b>Fund Balance:</b>						
<b>Nonspendable Fund Balances:</b>						
Revolving Cash	22,000	-	-	-	-	22,000
Stores Inventories	47,203	-	-	-	-	47,203
Prepays	5,168	-	-	-	-	5,168
Restricted	861,228	-	-	-	-	861,228
Committed	1,895,493	5,823,655	2,665,549	1,044,227	408,733	11,837,657
<b>Unassigned:</b>						
Reserve for Economic Uncertainty	2,292,355	-	-	-	-	2,292,355
Other Unassigned	-	-	-	-	-	-
Total Fund Balance	<u>5,123,446</u>	<u>5,823,655</u>	<u>2,665,549</u>	<u>1,044,227</u>	<u>408,733</u>	<u>15,065,610</u>
Total Liabilities and Fund Balances	<u>\$ 14,614,737</u>	<u>\$ 5,823,655</u>	<u>\$ 2,665,549</u>	<u>\$ 1,044,227</u>	<u>\$ 411,884</u>	<u>\$ 24,560,052</u>

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**
**GENERAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Other than Capital Outlay	Postemployment Benefits	Deferred Maintenance	Adult Education Fund	Total General Fund
Revenues:						
LCFF Sources:						
State Apportionments	\$ 18,000,217	\$ -	\$ -	\$ -	\$ -	\$ 18,000,217
Education Protection Account Funds	5,427,029	-	-	-	-	5,427,029
Local Sources	7,347,730	-	-	465,724	201,814	8,015,268
Federal Revenue	5,161,652	-	-	-	-	5,161,652
Other State Revenue	5,994,001	-	-	-	-	5,994,001
Other Local Revenue	522,211	-	10,927	2,278	5,865	541,281
Total Revenues	<u>42,452,840</u>	<u>-</u>	<u>10,927</u>	<u>468,002</u>	<u>207,679</u>	<u>43,139,448</u>
Expenditures:						
Instruction	27,188,238	-	-	-	82,921	27,271,159
Instruction - Related Services	4,817,569	-	-	-	48,251	4,865,820
Pupil Services	4,533,989	-	-	-	-	4,533,989
Ancillary Services	249,272	-	-	-	-	249,272
Community Services	4,588	-	-	-	-	4,588
Enterprise	21,179	-	-	-	-	21,179
General Administration	2,515,746	-	-	-	-	2,515,746
Plant Services	5,625,735	-	-	14,341	13,960	5,654,036
Debt Service:						
Principal	153,044	-	-	-	-	153,044
Interest	3,455	-	-	-	-	3,455
Total Expenditures	<u>45,112,815</u>	<u>-</u>	<u>-</u>	<u>14,341</u>	<u>145,132</u>	<u>45,272,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,659,975)</u>	<u>-</u>	<u>10,927</u>	<u>453,661</u>	<u>62,547</u>	<u>(2,132,840)</u>
Other Financing Sources (Uses):						
Transfers In	451,664	62,577	-	-	-	514,241
Transfers Out	(715,171)	-	(298,699)	-	-	(1,013,870)
Other Sources	(19,114)	-	-	-	-	(19,114)
Total Other Financing Sources (Uses)	<u>(282,621)</u>	<u>62,577</u>	<u>(298,699)</u>	<u>-</u>	<u>-</u>	<u>(518,743)</u>
Net Change in Fund Balance	(2,942,596)	62,577	(287,772)	453,661	62,547	(2,651,583)
Fund Balance, July 1	8,066,042	5,761,078	2,953,321	590,566	346,186	17,717,193
Fund Balance, June 30	<u>\$ 5,123,446</u>	<u>\$ 5,823,655</u>	<u>\$ 2,665,549</u>	<u>\$ 1,044,227</u>	<u>\$ 408,733</u>	<u>\$ 15,065,610</u>

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 532,677	\$ 1,081,480	\$ 4,726,207	\$ 6,340,364
Cash on Hand and in Banks	15,000	1,923,894	-	1,938,894
Cash with a Fiscal Agent/Trustee	-	-	-	-
Accounts Receivable	235,240	-	9,172	244,412
Due from Other Funds	314	-	28,900	29,214
Stores Inventories	29,536	-	-	29,536
Total Assets	<u>\$ 812,767</u>	<u>\$ 3,005,374</u>	<u>\$ 4,764,279</u>	<u>\$ 8,582,420</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 72,259	\$ -	\$ 31,000	\$ 103,259
Due to Other Funds	5,747	-	39,059	44,806
Deferred Revenue	-	-	-	-
Total Liabilities	<u>78,006</u>	<u>-</u>	<u>70,059</u>	<u>148,065</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	29,536	-	-	29,536
Restricted Fund Balance	558,979	-	4,383,019	4,941,998
Committed Fund Balance	146,246	3,005,374	311,201	3,462,821
Total Fund Balance	<u>734,761</u>	<u>3,005,374</u>	<u>4,694,220</u>	<u>8,434,355</u>
Total Liabilities and Fund Balances	<u>\$ 812,767</u>	<u>\$ 3,005,374</u>	<u>\$ 4,764,279</u>	<u>\$ 8,582,420</u>

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 1,316,034	\$ 698,580	\$ -	\$ 2,014,614
Other State Revenue	493,974	28,659	14,341	536,974
Other Local Revenue	600,882	1,349,582	69,707	2,020,171
Total Revenues	<u>2,410,890</u>	<u>2,076,821</u>	<u>84,048</u>	<u>4,571,759</u>
Expenditures:				
Instruction	385,383	-	-	385,383
Instruction - Related Services	17,038	-	-	17,038
Pupil Services	1,946,246	-	-	1,946,246
General Administration	71,990	-	52,243	124,233
Plant Services	13,728	-	233,690	247,418
Debt Service:				
Principal	36,000	724,843	-	760,843
Interest	-	1,929,001	-	1,929,001
Total Expenditures	<u>2,470,385</u>	<u>2,653,844</u>	<u>285,933</u>	<u>5,410,162</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,495)</u>	<u>(577,023)</u>	<u>(201,885)</u>	<u>(838,403)</u>
Other Financing Sources (Uses):				
Transfers In	-	652,594	-	652,594
Transfers Out	-	-	(74,247)	(74,247)
Total Other Financing Sources (Uses)	<u>-</u>	<u>652,594</u>	<u>(74,247)</u>	<u>578,347</u>
Net Change in Fund Balance	(59,495)	75,571	(276,132)	(260,056)
Fund Balance, July 1	794,256	2,929,803	4,970,352	8,694,411
Fund Balance, June 30	<u>\$ 734,761</u>	<u>\$ 3,005,374</u>	<u>\$ 4,694,220</u>	<u>\$ 8,434,355</u>

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2014**

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 389,363	\$ 143,314	\$ 532,677
Cash on Hand and in Banks	15,000	-	15,000
Accounts Receivable	162,223	73,017	235,240
Due from Other Funds	-	314	314
Stores Inventories	29,536	-	29,536
Total Assets	<u>\$ 596,122</u>	<u>\$ 216,645</u>	<u>\$ 812,767</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 18,517	\$ 53,742	\$ 72,259
Due to Other Funds	3,908	1,839	5,747
Deferred Revenue	-	-	-
Total Liabilities	<u>22,425</u>	<u>55,581</u>	<u>78,006</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	29,536	-	29,536
Restricted Fund Balance	544,161	14,818	558,979
Committed Fund Balance	-	146,246	146,246
Total Fund Balance	<u>573,697</u>	<u>161,064</u>	<u>734,761</u>
Total Liabilities and Fund Balances	<u>\$ 596,122</u>	<u>\$ 216,645</u>	<u>\$ 812,767</u>

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Cafeteria Fund	Child Development Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ 1,287,712	\$ 28,322	\$ 1,316,034
Other State Revenue	102,587	391,387	493,974
Other Local Revenue	531,577	69,305	600,882
Total Revenues	<u>1,921,876</u>	<u>489,014</u>	<u>2,410,890</u>
Expenditures:			
Instruction	-	385,383	385,383
Instruction - Related Services	-	17,038	17,038
Pupil Services	1,946,246	-	1,946,246
General Administration	66,915	5,075	71,990
Plant Services	483	13,245	13,728
Debt Service:			
Principal	-	36,000	36,000
Total Expenditures	<u>2,013,644</u>	<u>456,741</u>	<u>2,470,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,768)</u>	<u>32,273</u>	<u>(59,495)</u>
Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(91,768)	32,273	(59,495)
Fund Balance, July 1	665,465	128,791	794,256
Fund Balance, June 30	<u>\$ 573,697</u>	<u>\$ 161,064</u>	<u>\$ 734,761</u>

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**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**CAFETERIA FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ 1,444,903	\$ 1,287,712	\$ (157,191)
Other State Revenue	109,520	102,587	(6,933)
Other Local Revenue	589,735	531,577	(58,158)
Total Revenues	<u>2,144,158</u>	<u>1,921,876</u>	<u>(222,282)</u>
Expenditures:			
Classified Salaries	577,034	587,090	10,056
Employee Benefits	403,130	396,135	(6,995)
Books and Supplies	1,029,694	950,330	(79,364)
Services and Other Operating Expenditures	31,300	13,174	(18,126)
Direct Support/Indirect Costs	70,000	66,915	(3,085)
Capital Outlay	33,000	-	(33,000)
Total Expenditures	<u>2,144,158</u>	<u>2,013,644</u>	<u>(130,514)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(91,768)</u>	<u>(91,768)</u>
Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(91,768)	(91,768)
Fund Balance, July 1	665,465	665,465	-
Fund Balance, June 30	<u>\$ 665,465</u>	<u>\$ 573,697</u>	<u>\$ (91,768)</u>

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**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**CHILD DEVELOPMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ 28,322	\$ 28,322	\$ -
Other State Revenue	430,507	391,387	(39,120)
Other Local Revenue	12,000	69,305	57,305
Total Revenues	<u>470,829</u>	<u>489,014</u>	<u>18,185</u>
Expenditures:			
Certificated Salaries	10,043	10,395	352
Classified Salaries	1,198	1,057	(141)
Employee Benefits	3,671	3,621	(50)
Books and Supplies	146,887	70,084	(76,803)
Services and Other Operating Expenditures	382,597	320,909	(61,688)
Capital Outlay	-	9,600	9,600
Direct Support/Indirect Costs	-	5,075	5,075
Debt Service:			
Principal	36,000	36,000	-
Total Expenditures	<u>580,396</u>	<u>456,741</u>	<u>(123,655)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(109,567)</u>	<u>32,273</u>	<u>141,840</u>
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(109,567)	32,273	141,840
Fund Balance, July 1	128,791	128,791	-
Fund Balance, June 30	<u>\$ 19,224</u>	<u>\$ 161,064</u>	<u>\$ 141,840</u>

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**

## COMBINING BALANCE SHEET

## NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2014

	Bond Interest and Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 1,081,480	\$ -	\$ 1,081,480
Cash on Hand and in Banks	-	1,923,894	1,923,894
Total Assets	<u>\$ 1,081,480</u>	<u>\$ 1,923,894</u>	<u>\$ 3,005,374</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Committed Fund Balance	<u>1,081,480</u>	<u>1,923,894</u>	<u>3,005,374</u>
Total Fund Balance	<u>1,081,480</u>	<u>1,923,894</u>	<u>3,005,374</u>
Total Liabilities and Fund Balances	<u>\$ 1,081,480</u>	<u>\$ 1,923,894</u>	<u>\$ 3,005,374</u>

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Bond Interest and Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds
Revenues:			
Federal Revenue	\$ -	\$ 698,580	\$ 698,580
Other State Revenue	28,659	-	28,659
Other Local Revenue	1,349,023	559	1,349,582
Total Revenues	<u>1,377,682</u>	<u>699,139</u>	<u>2,076,821</u>
Expenditures:			
Debt Service:			
Principal	589,843	135,000	724,843
Interest	710,343	1,218,658	1,929,001
Total Expenditures	<u>1,300,186</u>	<u>1,353,658</u>	<u>2,653,844</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>77,496</u>	<u>(654,519)</u>	<u>(577,023)</u>
Other Financing Sources (Uses):			
Transfers In	-	652,594	652,594
Total Other Financing Sources (Uses)	<u>-</u>	<u>652,594</u>	<u>652,594</u>
Net Change in Fund Balance	77,496	(1,925)	75,571
Fund Balance, July 1	1,003,984	1,925,819	2,929,803
Fund Balance, June 30	<u>\$ 1,081,480</u>	<u>\$ 1,923,894</u>	<u>\$ 3,005,374</u>

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### DEBT SERVICE FUNDS

### BOND INTEREST AND REDEMPTION

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Other State Revenue	\$ -	\$ 28,659	\$ 28,659
Other Local Revenue	-	1,349,023	1,349,023
Total Revenues	-	1,377,682	1,377,682
Expenditures:			
Debt Service:			
Principal	-	589,843	589,843
Interest	-	710,343	710,343
Total Expenditures	-	1,300,186	1,300,186
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	77,496	77,496
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	77,496	77,496
Fund Balance, July 1	1,003,984	1,003,984	-
Fund Balance, June 30	\$ 1,003,984	\$ 1,081,480	\$ 77,496

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### DEBT SERVICE FUNDS

### BLENDED COMPONENT UNIT

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$ -	\$ 698,580	\$ 698,580
Other Local Revenue	-	559	559
Total Revenues	-	699,139	699,139
Expenditures:			
Debt Service:			
Principal	-	135,000	135,000
Interest	-	1,218,658	1,218,658
Total Expenditures	-	1,353,658	1,353,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(654,519)	(654,519)
Other Financing Sources (Uses):			
Transfers In	-	652,594	652,594
Total Other Financing Sources (Uses)	-	652,594	652,594
Net Change in Fund Balance	-	(1,925)	(1,925)
Fund Balance, July 1	1,925,819	1,925,819	-
Fund Balance, June 30	\$ 1,925,819	\$ 1,923,894	\$ (1,925)

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**

## BUDGETARY COMPARISON SCHEDULE

## DEBT SERVICE FUNDS

## BLENDED COMPONENT UNIT

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 695,257	\$ 695,257
Total Revenues	-	695,257	695,257
Expenditures:	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	695,257	695,257
Other Financing Sources (Uses):			
Transfers Out	-	(1,127,041)	(1,127,041)
Total Other Financing Sources (Uses)	-	(1,127,041)	(1,127,041)
Net Change in Fund Balance	-	(431,784)	(431,784)
Fund Balance, July 1	4,684,777	4,684,777	-
Fund Balance, June 30	<u>\$ 4,684,777</u>	<u>\$ 4,252,993</u>	<u>\$ (431,784)</u>

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2014

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 100,226	\$ 48,916	\$ 4,577,065	\$ 4,726,207
Accounts Receivable	85	5,148	3,939	9,172
Due from Other Funds	-	28,900	-	28,900
Total Assets	<u>\$ 100,311</u>	<u>\$ 82,964</u>	<u>\$ 4,581,004</u>	<u>\$ 4,764,279</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 31,000	\$ -	\$ 31,000
Due to Other Funds	-	500	38,559	39,059
Total Liabilities	<u>-</u>	<u>31,500</u>	<u>38,559</u>	<u>70,059</u>
Fund Balance:				
Restricted Fund Balance	-	-	4,383,019	4,383,019
Committed Fund Balance	100,311	51,464	159,426	311,201
Total Fund Balance	<u>100,311</u>	<u>51,464</u>	<u>4,542,445</u>	<u>4,694,220</u>
Total Liabilities and Fund Balances	<u>\$ 100,311</u>	<u>\$ 82,964</u>	<u>\$ 4,581,004</u>	<u>\$ 4,764,279</u>

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Other State Revenue	14,341	-	-	14,341
Other Local Revenue	311	51,312	18,084	69,707
Total Revenues	<u>14,652</u>	<u>51,312</u>	<u>18,084</u>	<u>84,048</u>
Expenditures:				
General Administration	-	52,243	-	52,243
Plant Services	-	132,604	101,086	233,690
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>184,847</u>	<u>101,086</u>	<u>285,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,652</u>	<u>(133,535)</u>	<u>(83,002)</u>	<u>(201,885)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(74,247)	(74,247)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(74,247)</u>	<u>(74,247)</u>
Net Change in Fund Balance	14,652	(133,535)	(157,249)	(276,132)
Fund Balance, July 1	85,659	184,999	4,699,694	4,970,352
Fund Balance, June 30	<u>\$ 100,311</u>	<u>\$ 51,464</u>	<u>\$ 4,542,445</u>	<u>\$ 4,694,220</u>

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**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUNDS**  
**BUILDING FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Over (Under)
Revenues:			
	\$	\$	\$
Other Local Revenue	-	14,341	14,341
Total Revenues	-	311	311
	-	14,652	14,652
Expenditures:			
Books and Supplies	-	-	-
Services and Other Operating Expenditures	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	14,652	14,652
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	14,652	14,652
Fund Balance, July 1	85,659	85,659	-
Fund Balance, June 30	\$ 85,659	\$ 100,311	\$ 14,652

See independent auditors' report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**

## BUDGETARY COMPARISON SCHEDULE

## CAPITAL PROJECTS FUNDS

## CAPITAL FACILITIES FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Other Local Revenue	\$ -	\$ 51,312	\$ 51,312
Total Revenues	-	51,312	51,312
Expenditures:			
Services and Other Operating Expenditures	-	184,847	184,847
Total Expenditures	-	184,847	184,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(133,535)	(133,535)
Other Financing Sources (Uses):	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	(133,535)	(133,535)
Fund Balance, July 1	184,999	184,999	-
Fund Balance, June 30	\$ 184,999	\$ 51,464	\$ (133,535)

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### CAPITAL PROJECTS FUNDS

### CAPITAL OUTLAY PROJECTS

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Federal Revenue	\$	\$ 2,080,808	\$ 2,080,808
Other Local Revenue		8,188,200	8,188,200
Total Revenues	-	10,269,008	10,269,008
Expenditures:			
Books and Supplies	-	129	129
Services and Other Operating Expenditures	-	463,562	463,562
Capital Outlay	-	3,096,260	3,096,260
Debt Service:			
Principal	-	280,279	280,279
Interest	-	92,564	92,564
Total Expenditures	-	3,932,794	3,932,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	6,336,214	6,336,214
Other Financing Sources (Uses):			
Transfers In		1,048,323	1,048,323
Total Other Financing Sources (Uses)	-	1,048,323	1,048,323
Net Change in Fund Balance	-	7,384,537	7,384,537
Fund Balance, July 1	1,932,549	1,932,549	-
Fund Balance, June 30	\$ 1,932,549	\$ 9,317,086	\$ 7,384,537

See independent auditors' report.

# SIERRA SANDS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### CAPITAL PROJECTS FUNDS

### COUNTY SCHOOL FACILITIES FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over (Under)
Revenues:			
Other State Revenue	\$ -	\$ -	\$ -
Other Local Revenue	-	18,084	18,084
Total Revenues	-	18,084	18,084
Expenditures:			
Classified Salaries	49,226	49,646	420
Employee Benefits	9,940	9,989	49
Services and Other Operating Expenditures	-	188	188
Capital Outlay	-	41,263	41,263
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	59,166	101,086	41,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,166)	(83,002)	(23,836)
Other Financing Sources (Uses):			
Transfers Out	-	(74,247)	(74,247)
Total Other Financing Sources (Uses)	-	(74,247)	(74,247)
Net Change in Fund Balance	(59,166)	(157,249)	(98,083)
Fund Balance, July 1	4,699,694	4,699,694	-
Fund Balance, June 30	\$ 4,640,528	\$ 4,542,445	\$ (98,083)

See independent auditors' report.

## OTHER SUPPLEMENTARY INFORMATION

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2014

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 2013/2014 school year the District operated seven elementary schools, two middle schools, two high schools, and three preschools.

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

**BOARD OF TRUSTEES**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michael Scott	President	December 2016
Kurt Rockwell	Vice President/Clerk	December 2014
Amy Covert	Member	December 2014
Judy Dietrichson	Member	December 2014
Bill Farris	Member	December 2016
Tom Pearl	Member	December 2014

**ADMINISTRATION**

Joanna Rummer  
Superintendent

Ernie Bell  
Assistant Superintendent, Human Resources

Shirley Kennedy  
Assistant Superintendent, Curriculum and Instruction

Christina Giraldo  
Assistant Superintendent, Business Services

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE 1**

	Second Period Report	Annual Report
<u>Elementary</u>		
Kindergarten	374.88	375.73
First through Third	1,064.58	1,063.52
Fourth through Sixth	1,008.44	1,009.08
Seventh and Eighth	645.76	638.50
Special Education	162.57	162.94
Home and Hospital	2.67	2.66
Extended Year	2.91	2.91
Total Elementary	<u>3,261.81</u>	<u>3,255.34</u>
<u>High School</u>		
Ninth through Twelfth	1,251.19	1,242.43
Continuation Education	99.35	95.60
Special Education	63.06	62.19
Home and Hospital	0.02	0.23
Extended Year	1.69	-
Total High School	<u>1,415.31</u>	<u>1,400.45</u>
Total Average Daily Attendance	<u><u>4,677.12</u></u>	<u><u>4,655.79</u></u>

GENERAL

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

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE 2**

Grade Level	1986-87 Minutes Requirements	1982-83 Actual Minutes	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	31,680	36,900	180	In compliance
Grade 1	50,400	44,000	53,230	180	In compliance
Grade 2	50,400	44,000	53,230	180	In compliance
Grade 3	50,400	44,000	53,230	180	In compliance
Grade 4	54,000	52,800	54,820	180	In compliance
Grade 5	54,000	52,800	54,820	180	In compliance
Grade 6	54,000	57,200	64,820	180	In compliance
Grade 7	54,000	57,200	64,820	180	In compliance
Grade 8	54,000	57,200	64,820	180	In compliance
Grade 9	64,800	58,050	65,422	180	In compliance
Grade 10	64,800	58,050	65,422	180	In compliance
Grade 11	64,800	58,050	65,422	180	In compliance
Grade 12	64,800	58,050	65,422	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.

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE 3**

<u>GENERAL FUND</u>	Budget 2015	2014	2013	2012
Revenues and Other Financial Sources	\$ 44,045,783	\$ 42,904,504	\$ 43,372,246	\$ 43,271,168
Expenditures	45,732,619	45,112,815	42,977,123	41,860,618
Other Uses and Transfers Out	63,829	734,285	880,790	554,534
Total Outgo	45,796,448	45,847,100	43,857,913	42,415,152
Change in Fund Balance (Deficit)	(1,750,665)	(2,942,596)	(485,667)	856,016
Ending Fund Balance	\$ 3,372,781	\$ 5,123,446	\$ 8,066,042	\$ 8,551,709
Available Reserves (1)	\$ 2,289,822	\$ 2,292,355	\$ 2,192,158	2,120,758
Available Reserves as a Percentage of Total Outgo	5.00%	5.00%	5.00%	5.00%
State Recommended Available Reserve Percentage	3.00%	3.00%	3.00%	3.00%
Available Reserves Over (Under) State Recommended Reserve Percentage	2.00%	2.00%	2.00%	2.00%
Total Long-Term Debt	\$ 45,992,618	\$ 50,619,030	\$ 50,578,963	\$ 50,361,363
Average Daily Attendance at P-2	4,676	4,677	4,736	4,797

**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 and Special Reserve Fund (other than capital outlay projects).

**General Fund**

Available reserves have increased by \$171,597 during the past three years and are anticipated to decrease by \$2,533 through June 30, 2015.

**Long-Term Debt**

General Obligation Bonds represent 44.34% of the total outstanding long term debt obligations of the District.

**Attendance**

Average Daily Attendance (ADA) has decreased by 120 students or 2% during the past three years.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2014**

**TABLE 4**

FEDERAL PROGRAM NAME	Federal Catalog (CFDA) Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Forest Reserve	10.665	N/A	\$ 1,719
U.S. Department of Education			
* EASA Impact Aid: Maintenance of Operations	84.041	N/A	1,830,266
U.S. Department of Education Passed Through the California Department of Education:			
NCLB Title I	84.010	3010	1,022,860
NCLB Title II - Improving Teacher Quality	84.367	4035	184,067
NCLB Title II - Administrator Training	84.367	4036	-
NCLB Title III - Immigrant Education Program	84.365	4201	973
NCLB Title III - Limited English Proficient Program	84.365	4203	47,320
Vocational Education: Carl Perkins	84.048A	3550	42,603
* IDEA Part B - Pre Kindergarten Staff	84.027A	3345	1,000
* IDEA Part B - Special Education, Local Assistance	84.027A	3310	834,484
* IDEA Part B - Local Assistance	84.027A	3311	12,750
* IDEA Part B - Pre-School Local Entitlement	84.027A	3320	33,776
* IDEA Part B - Federal Preschool Grants	84.173	3315	28,965
* IDEA Part B - Mental Health Services	84.027A	3327	53,771
* IDEA Part C - Early Intervention - Early Start	84.181	3385	25,481
Child Development - Federal General Preschool Family Care	93.596	5025	28,322
Elementary School Counseling Program	84.215E	5846	176,293
U.S. Department of Defense Passed Through California Department of Education:			
* Community Economic Adjustment	12.600	5811	2,080,808
Invitational Grants for Military-Connected Schools	12.557	5858	699,441
U.S. Department of Agriculture Passed Through California Department of Education:			
National School Lunch	10.555	5310	1,287,712
School Breakfast Program	10.553	5310	-
U.S. Department of Health Services Passed Through California Department Health Services:			
Medi-Cal Billing Option	93.778	5640	244,667
Total Federal Awards			<u>\$ 8,637,278</u>

\* Tested as a major program under OMB Circular A-133.

**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.*

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE 5**  
Page 1 of 2

	GENERAL FUND	SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY	SPECIAL RESERVE FUND FOR POST EMPLOYMENT BENEFITS	DEFERRED MAINTENANCE FUND	CAFETERIA FUND	CHILD DEVELOPMENT FUND	ADULT EDUCATION FUND
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 5,123,446	\$ 5,823,655	\$ 2,665,549	\$ 1,044,227	\$ 573,697	\$ 161,064	\$ 408,733
Adjustments and Reclassifications							
Increasing (Decreasing) the Fund Balance:							
Cash in County Treasury - (Overstated) Understated	-	-	-	-	-	-	-
Cash with Fiscal Agent - (Overstated) Understated	-	-	-	-	-	-	-
Accounts Receivable - (Overstated) Understated	-	-	-	-	-	-	-
Due from Other Funds - (Overstated) Understated	-	-	-	-	-	-	-
Inventory - (Overstated) Understated	-	-	-	-	-	-	-
Prepaid Expenses - (Overstated) Understated	-	-	-	-	-	-	-
Accounts Payable - Overstated (Understated)	-	-	-	-	-	-	-
Due to Other Funds - Overstated (Understated)	-	-	-	-	-	-	-
Net Adjustments and Reclassifications	-	-	-	-	-	-	-
June 30, 2014 Audited Financial Statements Fund Balances	\$ 5,123,446	\$ 5,823,655	\$ 2,665,549	\$ 1,044,227	\$ 573,697	\$ 161,064	\$ 408,733

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

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**TABLE 5**  
Page 2 of 2

	BOND INTEREST AND REDEMPTION FUND	BLENDED COMPONENT UNIT	BLENDED COMPONENT UNIT	BLENDED COMPONENT UNIT	BUILDING FUND	CAPITAL FACILITIES FUND	SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS	COUNTY SCHOOL FACILITIES FUND
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 1,081,480	\$ -	\$ -	\$ -	\$ 2,024,205	\$ 51,464	\$ 9,317,086	\$ 4,542,445
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:								
Cash in County Treasury - (Overstated) Understated	-	-	-	-	-	-	-	-
Cash with Fiscal Agent - (Overstated) Understated	-	1,923,894	5,062,536	(1,923,894)	-	-	-	-
Accounts Receivable - (Overstated) Understated	-	-	3,923	-	-	-	-	-
Inventory - (Overstated) Understated	-	-	-	-	-	-	-	-
Prepaid Expenses - (Overstated) Understated	-	-	-	-	-	-	-	-
Accounts Payable - Overstated (Understated)	-	-	-	-	-	-	-	-
Due to Other Funds - Overstated (Understated)	-	-	(813,466)	-	-	-	-	-
Net Adjustments and Reclassifications	-	1,923,894	4,252,993	(1,923,894)	-	-	-	-
June 30, 2014 Audited Financial Statements Fund Balances	\$ 1,081,480	\$ 1,923,894	\$ 4,252,993	\$ 100,311	\$ 51,464	\$ 9,317,086	\$ 4,542,445	

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014

**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, 2014

### 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.

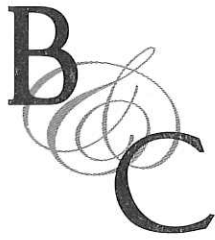
#### F. Schedule of Charter Schools

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: 1) Drug Free Schools and 2) Tobacco Use Prevention Education. All funds are received directly by the Kern County Superintendent of Schools Office and are pooled together and accounted for and expended on behalf of its member districts.

## **OTHER INDEPENDENT AUDITORS' REPORTS**



**BURKEY COX  
EVANS & BRADFORD**  
ACCOUNTANCY CORPORATION

1058 WEST AVENUE M-14, SUITE B  
PALMDALE, CALIFORNIA 93551  
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HAROLD W. MANNING, CPA

KYLE LINDAMAN, CPA  
JAMES MANNIE, CPA  
AUSTIN M. RICE, CPA

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

Board of Trustees  
Sierra Sands Unified School District  
Ridgecrest, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Sands Unified School District (the District), as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sierra Sands Unified School District  
Page 2

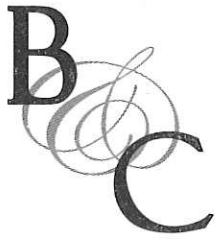
**Purpose of this Report**

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

*Burkey & Cox CPAs*

BURKEY COX EVANS & BRADFORD  
Accountancy Corporation

Palmdale, California  
December 13, 2014



**BURKEY COX  
EVANS & BRADFORD**  
ACCOUNTANCY CORPORATION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Board of Trustees  
Sierra Sands Unified School District  
Ridgecrest, California

**Report on Compliance for Each Major Federal Program**

We have audited Sierra Sands Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Sierra Sands Unified School District  
Page 2

### Report on Internal Control Over Compliance

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

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

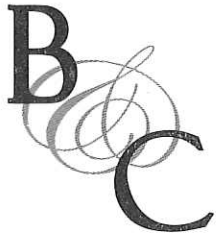
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Burkey & Cox CPAs*

BURKEY COX EVANS & BRADFORD  
Accountancy Corporation

Palmdale, California  
December 13, 2014



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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Sierra Sands Unified School District  
Ridgecrest, California

### Compliance

We have audited the basic financial statements of the Sierra Sands Unified School District (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 13, 2014. 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. We have also audited the District's compliance with the requirements specified in the State of California Education Audit Appeals Panel, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, applicable to the District's statutory requirements identified below for the year ended June 30, 2014. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

### Management's Responsibilities

Compliance with the applicable compliance requirements referred to above is the responsibility of the District's management.

### Auditor's Responsibilities

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on the compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State of California Education Audit Appeals Panel, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, prescribed in the California Code of Regulations, Title 5 section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Missassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes

Sierra Sands Unified School District  
Page 2

Description	Procedures In Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for Charter Schools	8	N/A
Mode of Instruction, for Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, for Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, for Charter Schools	4	N/A
Charter School Facility Grant Program	1	N/A

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

#### Opinion

In our opinion, Sierra Sands Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2014.

#### Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State of California Education Audit Appeals Panel, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, prescribed in the California Code of Regulations, Title 5 section 19810 and following, and which are described in the accompanying Schedules of Findings and Questioned Costs as item 2014-1. Our opinion is not modified with respect to these matters.

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

#### Purpose of this Report

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

*Burkey & Cox CPAs*

BURKEY COX EVANS & BRADFORD  
Accountancy Corporation

Palmdale, California  
December 13, 2014

## **FINDINGS AND RECOMMENDATIONS**

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section 510(a)	<u>      </u>	Yes	<u>  X  </u>	No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	EASA Impact Aid
84.027A and 84.173	IDEA Part B
84.181	IDEA Part C
12.600	Community Economic Adjustment

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

Auditee Qualified as Low-Risk Auditee?	<u>      </u>	Yes	<u>  X  </u>	No
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State Awards

Internal control over state programs:

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

Type of auditors' report issued on compliance for state awards: Unqualified

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**SECTION II – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS**

There were no Financial Statement Findings or Questioned Costs.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no Federal Award Findings or Questioned Costs.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS**

<u>Number:</u>	2014-1
<u>Finding Code:</u>	10000 and 40000
<u>Criteria:</u>	Attendance Accounting – District attendance reports must accurately reflect the positive attendance for the fiscal year and must be supported by appropriate data.
<u>Condition:</u>	The District's school sites are taking daily attendance. However, after a review of the attendance documents there are discrepancies in the number of students served and the totals arising from the supporting attendance records.
<u>Effect:</u>	The potential for the loss of funds received by the District due to the reported student enrollment for attendance apportionment being understated, resulting in the District receiving less funding than the actual amount earned.
<u>Cause:</u>	The District takes daily attendance by school sites and the daily roll sheets are subsequently entered into the District attendance program that is used to monitor and track student enrollment for attendance apportionment. There was no review or reconciliation performed over the monthly reports used for submission of attendance records. Due to staff's lack of knowledge on how to properly enter in amounts and produce the correct monthly summary reports, average daily attendance differed for months 1 through 10 for grades 7-8 by 4.43.
<u>Questioned Costs:</u>	We noted no questioned costs as the District understated its attendance records by 4.43 students for the sample period selected.
<u>Recommendation:</u>	School site personnel need to reconcile the attendance and enrollment documented on the daily log sheets to the amounts reported on the Annual Attendance to assure that the information being reported is accurate and agrees to the supporting documents and records. Also, we recommend the District amend their Annual State Attendance Report.
<u>District Response:</u>	The District will implement a process to reconcile amounts from daily log sheets to monthly reports used in submission for Annual Attendance to assure that the information being reported is accurate and agrees to the supporting documents and records. The District will also submit an amended Annual Attendance Report.

**SIERRA SANDS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2014**

2013-1

Condition: 50000

Special Education Cluster (IDEA) CFDA: 84.027 & 84.173, California Department of Education – Pass through Identifying Numbers 3310, 3311, 3315, 3320, 3327, and 3345.

Federal Guidelines under OMB A-133 require that personnel working on multiple activities or cost objectives must maintain time and effort distribution records (Multi-funded timesheets) and personnel that are 100% funded must maintain semi-annual certifications that define which program funds their salary. Time and effort distribution records and semi-annual certifications are required to be filed timely and contain appropriate employee and supervisor signatures.

A multi-funded employee was 25% funded from Federal Special Ed, but was documented as 16.5%.

Recommendation: We recommend that a process be implemented for review of semi-annual certifications and multi-funded time cards to ensure accurate reporting and allocation of time. We further recommend that semi-annual certifications be prepared by each position for employees that have multiple positions. Additionally, we recommend that all semi-annual certifications for special education list all resource codes related to the special education cost objective whether federal, state, or local.

Current Status: Implemented.