



Financial Statements
June 30, 2020

Sierra Sands Unified School District

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Independent Auditor's Report

To the Governing Board
Sierra Sands Unified School District
Ridgecrest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Sands Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 71, schedule of changes in the District's total OPEB liability and related ratios on page 72, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 73, schedule of the District's proportionate share of the net pension liability on page 74, and the schedule of District contributions on page 75, 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 Sierra Sands Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial

statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2021 on our consideration of Sierra Sands Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sierra Sands Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sierra Sands Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
February 19, 2021



SIERRA SANDS Unified School District

113 W. Felspar Ave., Ridgecrest, CA 93555 | Phone: 760-499-1600 | ssusd.org

This section of 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, 2020, with comparative information for the year ending June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Sierra Sands Unified School District.

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, user fees, interest income, Federal, State, and local grants, as well as proceeds from the general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The District's total net position on June 30, 2020 was \$67,412,806 compared to \$77,024,124 on June 30, 2019.
- The District's government-wide revenues in 2019-2020 were \$75,062,678 compared to \$73,574,838 in 2018-2019.
- The District's total expenses in 2019-2020 were \$84,673,996 compared to \$73,945,580 in 2018-2019.
- The general fund reported a balance on June 30, 2020 of \$13,942,189 compared to an ending balance of \$16,446,457 on June 30, 2019.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$67,412,806 for the fiscal year ended June 30, 2020. Of this amount, \$(55,510,577) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net positions for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 30,960,712	\$ 32,295,351
Capital assets	145,749,034	147,492,577
Total assets	<u>176,709,746</u>	<u>179,787,928</u>
Deferred outflows of resources	<u>19,234,403</u>	<u>16,983,311</u>
Liabilities		
Current liabilities	7,171,849	4,933,882
Long-term liabilities	117,166,022	111,609,937
Total liabilities	<u>124,337,871</u>	<u>116,543,819</u>
Deferred inflows of resources	<u>4,193,472</u>	<u>3,203,296</u>
Net Position		
Net investment in capital assets	117,084,984	115,765,202
Restricted	5,838,399	9,448,973
Unrestricted (deficit)	<u>(55,510,577)</u>	<u>(48,190,051)</u>
Total net position	<u><u>\$ 67,412,806</u></u>	<u><u>\$ 77,024,124</u></u>

The \$(55,510,577) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations on a "full-accrual" basis. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 12.5 percent as shown above.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 871,219	\$ 442,404
Operating grants and contributions	13,682,607	13,979,237
Capital grants and contributions	988,025	-
General revenues		
Federal and State aid not restricted	47,724,084	44,216,881
Property taxes	9,314,042	9,007,059
Other general revenues	2,482,701	5,929,257
Total revenues	75,062,678	73,574,838
Expenses		
Instruction-related	57,894,125	50,322,260
Pupil services	11,101,515	9,908,199
Administration	4,194,643	3,812,405
Plant services	9,172,855	7,462,218
Other	2,310,858	2,440,498
Total expenses	84,673,996	73,945,580
Change in net position	\$ (9,611,318)	\$ (370,742)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$84,673,996. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$9,314,042 because the cost was paid by those who benefited from the programs (\$871,219) or by other governments and organizations who subsidized certain programs with grants and contributions (\$14,670,632). We paid for the remaining "public benefit" portion of our governmental activities with \$50,206,785 in State unrestricted funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, instruction-related services including, supervision of instruction and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 57,894,125	\$ 50,322,260	\$ (46,884,052)	\$ (40,122,617)
Pupil services	11,101,515	9,908,199	(7,490,568)	(6,277,280)
Administration	4,194,643	3,812,405	(3,852,570)	(3,541,542)
Plant services	9,172,855	7,462,218	(9,083,542)	(7,312,582)
All other services	2,310,858	2,440,498	(1,821,413)	(2,269,918)
Total	\$ 84,673,996	\$ 73,945,580	\$ (69,132,145)	\$ (59,523,939)

The major factors for increased expenditures are related to the negotiated settlement agreements with the employee bargaining units. Salaries/Benefits costs increased five percent over the prior year and reflect the implementation of several positions related to the need to provide services to unduplicated pupil demographic populations. As well as the increasing costs of retirement system contributions, increased cost of health and welfare benefits, and negotiated contract settlements.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$23,940,762, which is a decrease of \$3,590,079 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 16,446,457	\$ 65,855,366	\$ 68,359,634	\$ 13,942,189
Child Development	260,190	589,358	550,500	299,048
Cafeteria	38,006	2,133,732	2,171,099	639
Building	2,049	589	1,746	892
Capital Facilities	307,930	737,381	404,530	640,781
County School Facilities	2,219,653	1,027,913	3,100,311	147,255
Special Reserve Fund for Capital Outlay Projects	3,199,754	6,712,211	5,061,631	4,850,334
Capital Project Component Unit	1,914,659	356,217	1,448,460	822,416
Bond Interest and Redemption	1,720,671	1,714,835	1,621,911	1,813,595
Debt Service Fund for Blended Component Units	1,421,472	2,367,152	2,365,011	1,423,613
Total	<u>\$ 27,530,841</u>	<u>\$ 81,494,754</u>	<u>\$ 85,084,833</u>	<u>\$ 23,940,762</u>

The primary reasons for these changes are:

Cafeteria Fund continues to deficit spend and is closely monitored for early identification of contributions from the General Fund to maintain this fund and the services associated with it. County School Facilities is the funding source for the principle payment for the Qualified School Construction Bond. Special Reserve Fund for Capital Outlay Projects is used as the funding source for the repair costs associated with damage suffered as a result of the July 4/5 2019 earthquakes that struck the region.

Other Funds changes in balances are related to the appropriate use of these funds or the adjustment of debt due to refunding bonds to reduce costs to the taxpayers.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 71).

While the District's final budget for the general fund anticipated that the district would deficit spend (expenditures would exceed revenues by \$2,829,147, including transfers), the actual results for the year show expenditures exceeded revenues by \$2,504,268.

- Actual revenues were \$3,831,746 more than expected, due mostly to the posting for STRS on behalf payments that are reflected in the actual revenues but were not included in budgeted amounts.
- Actual expenditures were \$2,963,179 more than final budget, with a large portion of the difference also being attributed to the STRS on behalf payment that is reflected in actual expenditures but is not included in the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$145,749,034 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1,743,543 or 1.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 174,529	\$ 174,529
Buildings and improvements	143,554,857	145,075,672
Equipment	2,019,648	2,242,376
Total	\$ 145,749,034	\$ 147,492,577

Long-Term Liabilities

At the end of this year, the District had \$117,166,022 in long-term liabilities versus \$111,609,937 last year, an increase of 5.0 percent. There were no significant additions to long-term liabilities in the current year. See Note 8 for additional details. All long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 25,041,459	\$ 25,561,861
Qualified Zone Academy Bonds	9,750,000	10,850,000
Certificates of participation	2,483,467	2,680,720
Public financing authority bonds	-	378,949
Compensated absences	146,239	128,494
Net OPEB liability	23,101,459	20,694,542
Aggregate net pension liability	56,643,398	51,315,371
Total	\$ 117,166,022	\$ 111,609,937

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the governing board and management followed the approved budget guidelines and used the following criteria:

The key assumptions in our revenue forecast are:

- Now that the Local Control Funding Formula (LCFF) has been fully implemented, future increases in funding are expected to be based on COLA only.
- The budget is driven by the Local Control Accountability Plan (LCAP). Future budget considerations will include increased demand on resources in terms of new and improved services to students to close the achievement gap.
- Employer contributions to STRS and PERS will continue to significantly increase in the following years.
- Ongoing funding must be allocated to support continuing expenditures in the areas of technology in support of Common Core implementation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Pamela Smith, Assistant Superintendent, Business and Support Services, at Sierra Sands Unified School District, 113 West Felspar, Ridgecrest, California, 93555, or e-mail at psmith@ssusd.org.

Sierra Sands Unified School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 20,962,539
Receivables	9,889,585
Stores inventories	108,588
Capital assets not depreciated	174,529
Capital assets, net of accumulated depreciation	145,574,505
Total assets	176,709,746
Deferred Outflows of Resources	
Deferred charge on refunding	271,876
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	1,743,249
Deferred outflows of resources related to pensions	17,219,278
Total deferred outflows of resources	19,234,403
Liabilities	
Accounts payable	6,693,624
Interest payable	151,899
Unearned revenue	326,326
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,836,001
Long-term liabilities other than OPEB and pensions due in more than one year	34,585,164
Net other postemployment benefits liability	23,101,459
Aggregate net pension liability	56,643,398
Total liabilities	124,337,871
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	858,974
Deferred inflows of resources related to pensions	3,334,498
Total deferred inflows of resources	4,193,472
Net Position	
Net investment in capital assets	117,084,984
Restricted for	
Debt service	3,085,309
Capital projects	788,036
Educational programs	1,055,882
Other activities	909,172
Unrestricted (deficit)	(55,510,577)
Total net position	\$ 67,412,806

Sierra Sands Unified School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 49,865,789	\$ 3,915	\$ 8,976,218	\$ 988,025	\$ (39,897,631)
Instruction-related activities					
Supervision of instruction	2,173,403	662	714,444	-	(1,458,297)
Instructional library, media, and technology	910,059	-	10,321	-	(899,738)
School site administration	4,944,874	12	316,476	-	(4,628,386)
Pupil services					
Home-to-school transportation	3,652,627	-	7,843	-	(3,644,784)
Food services	2,519,174	274,500	1,692,653	-	(552,021)
All other pupil services	4,929,714	-	1,635,951	-	(3,293,763)
Administration					
Data processing	101,380	46,634	28,500	-	(26,246)
All other administration	4,093,263	5,417	261,522	-	(3,826,324)
Plant services	9,172,855	82,045	7,268	-	(9,083,542)
Ancillary services	351,360	-	3,543	-	(347,817)
Community services	7,753	-	6,587	-	(1,166)
Enterprise services	22,957	-	-	-	(22,957)
Interest on long-term liabilities	1,921,631	-	-	-	(1,921,631)
Other outgo	7,157	458,034	21,281	-	472,158
Total governmental activities	<u>\$ 84,673,996</u>	<u>\$ 871,219</u>	<u>\$ 13,682,607</u>	<u>\$ 988,025</u>	<u>(69,132,145)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					6,875,193
Property taxes, levied for debt service					1,683,757
Taxes levied for other specific purposes					755,092
Federal and State aid not restricted to specific purposes					47,724,084
Interest and investment earnings					427,286
Miscellaneous					2,055,415
Subtotal, general revenues					<u>59,520,827</u>
Change in Net Position					(9,611,318)
Net Position - Beginning					<u>77,024,124</u>
Net Position - Ending					<u>\$ 67,412,806</u>

Sierra Sands Unified School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 10,918,197	\$ 5,340,090	\$ 4,704,252	\$ 20,962,539
Receivables	9,098,762	23,022	767,801	9,889,585
Due from other funds	305,595	-	156,462	462,057
Stores inventories	76,508	-	32,080	108,588
	<u>20,399,062</u>	<u>5,363,112</u>	<u>5,660,595</u>	<u>31,422,769</u>
Total assets	\$ 20,399,062	\$ 5,363,112	\$ 5,660,595	\$ 31,422,769
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 6,071,272	\$ 512,778	\$ 109,574	\$ 6,693,624
Due to other funds	156,462	-	305,595	462,057
Unearned revenue	229,139	-	97,187	326,326
	<u>6,456,873</u>	<u>512,778</u>	<u>512,356</u>	<u>7,482,007</u>
Total liabilities	6,456,873	512,778	512,356	7,482,007
Fund Balances				
Nonspendable	184,757	-	32,080	216,837
Restricted	1,055,882	-	4,935,308	5,991,190
Committed	1,105,433	4,850,334	212,292	6,168,059
Assigned	2,539,795	-	-	2,539,795
Unassigned	9,056,322	-	(31,441)	9,024,881
	<u>13,942,189</u>	<u>4,850,334</u>	<u>5,148,239</u>	<u>23,940,762</u>
Total fund balances	13,942,189	4,850,334	5,148,239	23,940,762
Total liabilities and fund balances	\$ 20,399,062	\$ 5,363,112	\$ 5,660,595	\$ 31,422,769

Sierra Sands Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds		\$ 23,940,762
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 as assets in governmental funds.		
The cost of capital assets is	\$ 192,612,125	
Accumulated depreciation is	<u>(46,863,091)</u>	
Net capital assets		145,749,034
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(151,899)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	271,876	
Other postemployment benefits	1,743,249	
Net pension liability	<u>17,219,278</u>	
Total deferred outflows of resources		19,234,403
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits	(858,974)	
Net pension liability	<u>(3,334,498)</u>	
Total deferred inflows of resources		(4,193,472)
Expenditures relating to prepaid insurance on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as deferred charges.		
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(56,643,398)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(23,101,459)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(16,703,351)	
Certificates of participation	(9,750,000)	
Lease Revenue Refunding Bonds	(2,483,467)	
Compensated absences (vacations)	(146,239)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(8,338,108)</u>	
Total long-term liabilities		<u>(37,421,165)</u>
Total net position - governmental activities		<u>\$ 67,412,806</u>

Sierra Sands Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 48,582,230	\$ -	\$ -	\$ 48,582,230
Federal sources	5,991,437	-	1,903,084	7,894,521
Other State sources	9,190,917	2,176,371	1,691,777	13,059,065
Other local sources	1,738,700	413,761	3,177,739	5,330,200
Total revenues	<u>65,503,284</u>	<u>2,590,132</u>	<u>6,772,600</u>	<u>74,866,016</u>
Expenditures				
Current				
Instruction	40,859,176	-	443,274	41,302,450
Instruction-related activities				
Supervision of instruction	1,895,225	-	75,269	1,970,494
Instructional library, media, and technology	828,430	-	-	828,430
School site administration	4,424,503	-	-	4,424,503
Pupil services				
Home-to-school transportation	1,814,913	-	-	1,814,913
Food services	214,941	-	2,170,712	2,385,653
All other pupil services	4,544,364	-	-	4,544,364
Administration				
Data processing	13,369	-	-	13,369
All other administration	3,808,054	-	18,959	3,827,013
Plant services	6,492,065	914,945	171,273	7,578,283
Ancillary services	333,765	-	-	333,765
Community services	6,783	-	-	6,783
Other outgo	7,157	-	-	7,157
Enterprise services	19,857	-	-	19,857
Facility acquisition and construction	1,288,336	3,773,843	227,699	5,289,878
Debt service				
Principal	-	357,949	2,733,058	3,091,007
Interest and other	-	14,894	1,003,282	1,018,176
Total expenditures	<u>66,550,938</u>	<u>5,061,631</u>	<u>6,843,526</u>	<u>78,456,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,047,654)</u>	<u>(2,471,499)</u>	<u>(70,926)</u>	<u>(3,590,079)</u>
Other Financing Sources (Uses)				
Transfers in	352,082	4,122,079	2,154,577	6,628,738
Transfers out	(1,808,696)	-	(4,820,042)	(6,628,738)
Net Financing Sources (Uses)	<u>(1,456,614)</u>	<u>4,122,079</u>	<u>(2,665,465)</u>	<u>-</u>
Net Change in Fund Balances	(2,504,268)	1,650,580	(2,736,391)	(3,590,079)
Fund Balance - Beginning	<u>16,446,457</u>	<u>3,199,754</u>	<u>7,884,630</u>	<u>27,530,841</u>
Fund Balance - Ending	<u>\$ 13,942,189</u>	<u>\$ 4,850,334</u>	<u>\$ 5,148,239</u>	<u>\$ 23,940,762</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
Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds		\$ (3,590,079)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	\$ (6,175,847)	
Capital outlays	<u>4,432,304</u>	
Net expense adjustment		(1,743,543)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		
		(17,745)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		
		(3,277,151)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		
		(3,170,352)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Deferred charge on refunding amortization		(26,525)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		1,414,805
Certificates of participation		1,100,000
Lease revenue bonds		197,253
State of California Loans		378,949
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.		
		<u>(876,930)</u>
Change in net position of governmental activities		<u><u>\$ (9,611,318)</u></u>

Sierra Sands Unified School District
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 497,943</u>
Liabilities	
Accounts payable	\$ 15,270
Due to student groups	<u>482,673</u>
Total liabilities	<u>\$ 497,943</u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Sierra Sands Unified School District (the District) was organized in 1974 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates six elementary schools, two middle schools, one comprehensive high school, a continuation high school, an adult school, and a preschool program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Sierra Sands Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

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

Sierra Sands and Lone Pine have reorganized by the transfer of certain land from the territory of Sierra Sands to the territory of Lone Pine. In consideration of the mutual undertaking of the reorganization, Lone Pine conveyed to the Authority fee title to certain land together with buildings, facilities and improvements situated thereon, which are currently not used or needed for classroom buildings. Such real property is leased by the Authority to Lone Pine pursuant to the Lease Agreement dated December 3, 1990. The Lease Agreement became effective for the fiscal year ended June 30, 1992. The value of the real property conveyed to the Authority from the Lone Pine Unified School District was not determinable, as governmental property in Inyo County is not assessed. The financial activity related to the Lease Agreement is presented in the financial statements as the IKSFA Blended Component Unit Fund.

Sierra Sands issued 2010 Certificates of Participation (Qualified School Construction Bonds) pursuant to a lease agreement between Sierra Sands and the Authority. In addition, the Authority has issued 2017 Lease Revenue Refunding Bonds pursuant to a lease agreement between Sierra Sands and the Authority. The financial activity with respect to the 2010 Certificates of Participation and the 2017 Lease Revenue Refunding Bonds is presented in the financial statements within the Debt Service Fund for Blended Component Units. Certificates of participation of Sierra Sands and lease revenue bonds issued by the Authority are included as long-term liabilities in the government-wide financial statements.

In addition to inclusion in this report as a component unit of Sierra Sands Unified School District, the Authority issues separate financial statements solely for the Authority. This report or additional financial information can be provided by contacting the Assistant Superintendent of Business and Support Services at Sierra Sands Unified School District, 113 West Felspar, Ridgecrest, California 93555.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Four funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$9,219,073.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Child Development Fund** The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **IKSFA Blended Component Unit Fund** The IKSFA Blended Component Unit Fund is established pursuant to a lease agreement between Sierra Sands Unified School District, Lone Pine Unified School District and the Inyo-Kern Schools Financing Authority for the receipt of lease revenues from Lone Pine Unified School District to be used for purposes as authorized by the joint powers agreement and as approved by the Board of Inyo-Kern Schools Financing Authority for the benefit of Sierra Sands Unified School District.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation and lease revenue bonds issued by the District and IKSFA blended component unit under generally accepted accounting principles (GAAP).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental and fiduciary funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, ten to 20 years; equipment, five to ten years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds/due to other funds." These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements long-term liabilities are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred amounts related to pension and OPEB relate to the differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience, and differences between projected and actual earnings on investments.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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 the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,838,399 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 20,962,539
Fiduciary funds	<u>497,943</u>
Total deposits and investments	<u><u>\$ 21,460,482</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 577,943
Cash with fiscal agent	1,423,613
Cash in revolving	123,174
Investments	<u>19,335,752</u>
Total deposits and investments	<u><u>\$ 21,460,482</u></u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Investments Authorized Under Debt Agreement

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Federal Financing Bank	N/A	None	None
Export-Import Bank	N/A	None	None
Rural Economic Community Development Administration	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Financing Corporation Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
Federal Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Mortgage-Backed Securities and Certificates	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsored Investment Pools (LAIF)	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Kern County Treasury Investment Pool.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Average Maturity in Days</u>
Kern County Treasury Investment Pool	<u>\$ 19,335,752</u>	531

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District was exposed to \$1,738,287 of custodial credit risk, as these funds were uninsured and not collateralized.

Note 3 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government				
Categorical aid	\$ 2,136,236	\$ -	\$ 164,940	\$ 2,301,176
State Government				
LCFF apportionment	5,772,171	-	-	5,772,171
Categorical aid	125,443	-	70,017	195,460
Lottery	253,706	-	-	253,706
Special Education	585,454	-	-	585,454
Local Government				
Interest	79,595	23,022	15,902	118,519
Due from Lone Pine USD	-	-	329,471	329,471
Other local sources	146,157	-	187,471	333,628
	<u>\$ 9,098,762</u>	<u>\$ 23,022</u>	<u>\$ 767,801</u>	<u>\$ 9,889,585</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 174,529	\$ -	\$ -	\$ 174,529
Capital assets being depreciated				
Buildings and improvements	179,821,657	4,186,387	-	184,008,044
Furniture and equipment	8,183,635	245,917	-	8,429,552
Total capital assets being depreciated	188,005,292	4,432,304	-	192,437,596
Total capital assets	188,179,821	4,432,304	-	192,612,125
Accumulated depreciation				
Buildings and improvements	(34,745,985)	(5,707,202)	-	(40,453,187)
Furniture and equipment	(5,941,259)	(468,645)	-	(6,409,904)
Total accumulated depreciation	(40,687,244)	(6,175,847)	-	(46,863,091)
Governmental activities capital assets, net	\$ 147,492,577	\$ (1,743,543)	\$ -	\$ 145,749,034

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,323,093
Home-to-school transportation	1,852,754
Total depreciation expenses governmental activities	\$ 6,175,847

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds, are as follows:

Due To	Due From Non-Major Governmental Funds		Total
General Fund	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 305,595	\$ 305,595
Non-Major Governmental Funds	156,462	-	156,462
Total	\$ 156,462	\$ 305,595	\$ 462,057

A balance of \$156,462 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for reimbursement of operating expenditures.

A balance of \$300,370 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for a temporary loan.

A balance of \$5,225 is due from the Child Development Non-Major Governmental Fund to the General Fund for reimbursement of operating expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 352,082	\$ 352,082
Special Reserve Fund for Capital Outlay Projects	754,119	3,367,960	4,122,079
Non-Major Governmental Funds	<u>1,054,577</u>	<u>1,100,000</u>	<u>2,154,577</u>
Total	<u>\$ 1,808,696</u>	<u>\$ 4,820,042</u>	<u>\$ 6,628,738</u>
The General Fund transferred \$754,119 to the Special Reserve Fund for Capital Outlay Projects RDA revenues not subject to LCFF calculations.			\$ 754,119
The General Fund transferred \$61,148 to the Cafeteria Non-Major Governmental Fund for reimbursement of operating costs.			61,148
The General Fund transferred \$993,429 to the Debt Service Fund for Blended Component Units Non-Major Governmental Fund for debt service payments on the COP and Lease Revenue Bonds			993,429
The County School Facilities Non-Major Governmental Fund transferred \$1,100,000 to the Debt Service Fund for Blended Component Units Non-Major Governmental Fund for the principal payment on the COP.			1,100,000
The County School Facilities Non-Major Governmental Fund transferred \$2,000,000 to the Special Reserve Fund for Capital Outlay Projects for reimbursement of construction costs.			2,000,000
The IKSFA Blended Component Unit Non-Major Governmental Fund transferred \$1,367,960 to the Special Reserve Fund for Capital Outlay Projects for repayment of CTE Loan and reimbursement of construction cost.			1,367,960
The Debt Service Fund for Blended Component Units Non-Major Governmental Fund transferred \$271,582 to the General Fund for the interest subsidy received on the COP - Qualified School Construction Bonds.			271,582
The IKSFA Blended Component Unit Non-Major Governmental Fund transferred \$80,500 to the General Fund for charter school settlement payment.			<u>80,500</u>
Total			<u>\$ 6,628,738</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Salaries and benefits	\$ 2,677,402	\$ -	8,295	\$ 2,685,697	\$ -
LCFF apportionment	2,427,135	-	-	2,427,135	-
Supplies and services	829,687	69,021	33,854	932,562	-
Capital outlay	-	443,757	-	443,757	-
Due to County	-	-	67,425	67,425	-
Other vendor payables	137,048	-	-	137,048	15,270
Total	\$ 6,071,272	\$ 512,778	\$ 109,574	\$ 6,693,624	\$ 15,270

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 156,180	\$ -	\$ 156,180
State categorical aid	72,959	97,187	170,146
Total	\$ 229,139	\$ 97,187	\$ 326,326

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 25,561,861	\$ 894,403	\$ (1,414,805)	\$ 25,041,459	\$ 1,535,823
Certificates of participation	10,850,000	-	(1,100,000)	9,750,000	1,100,000
Lease Revenue Bonds	2,680,720	-	(197,253)	2,483,467	200,178
State of California Loans	378,949	-	(378,949)	-	-
Compensated absences	128,494	17,745	-	146,239	-
	<u>\$ 39,600,024</u>	<u>\$ 912,148</u>	<u>\$ (3,091,007)</u>	<u>\$ 37,421,165</u>	<u>\$ 2,836,001</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Debt Service Fund for Blended Component Units makes payments for the Certificates of Participation and Lease Revenue Bonds with contributions transferred from the General Fund and County School Facilities Fund. The compensated absences will be paid by the fund for which the employee worked, which includes the General Fund, Child Development Fund, and Cafeteria Fund. The State of California Loans are paid by the Special Reserve Fund for Capital Outlay Projects and the Child Development Fund.

The District's outstanding certificates of participation of \$9,750,000 are secured with collateral of parcels of real property commonly known as James Monroe Middle School and Faller Elementary School.

The District's outstanding lease revenue bonds of \$2,483,467 are secured with collateral of parcels of real property commonly known as Gateway Elementary School and Sierra Vista Center.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
8/30/2006	2032	3.75-5.00%	\$ 19,467,868	\$ 8,722,503	\$ -	\$ 428,189	\$ -	\$ 9,150,692
12/18/2008	2034	3.86-6.76%	5,401,532	6,556,588	-	466,214	(205,000)	6,817,802
9/28/2017	2029	2.14%	11,668,508	10,282,770	-	-	(1,209,805)	9,072,965
				<u>\$ 25,561,861</u>	<u>\$ -</u>	<u>\$ 894,403</u>	<u>\$ (1,414,805)</u>	<u>\$ 25,041,459</u>

General Obligation Bonds, Election of 2006, Series 2006A

On August 30, 2006, the District issued \$19,467,868 of General Obligation Bonds, Election of 2006, Series 2006A. The Series 2006A bonds were issued as current interest and capital appreciation bonds. The bonds have a final maturity of November 1, 2031 with interest rate yields of 3.75 to 5.00 percent. Proceeds from the sale of the bonds are being used to finance the upgrade, expansion, and construction of school facilities throughout the District and to pay the cost of issuing the bonds. A portion of the bonds were refunded with the issuance of the 2017 General Obligation Refunding Bonds. At June 30, 2020, the principal balance outstanding of the General Obligation Bonds, Election of 2006, Series 2006A was \$9,150,692.

General Obligation Bonds, Election of 2006, Series 2008

On December 18, 2008, the District issued \$5,401,532 of 2016 General Obligation Bonds, Election of 2006, Series 2008. The Series 2008 bonds were issued as current interest and capital appreciation bonds. The bonds have a final maturity of November 1, 2033, with interest rate yields of 3.86 to 6.76 percent. Proceeds from the sale of the bonds are being used to finance the upgrade, renovation, acquisition, and construction of school facilities throughout the District and to pay the cost of issuing the bonds. A portion of the bonds were refunded with the issuance of the 2017 General Obligation Refunding Bonds. At June 30, 2020, the principal balance outstanding of the General Obligation Bonds, Election of 2006, Series 2008 was \$6,817,802.

2017 General Obligation Refunding Bonds (Private Placement Refunding)

On September 28, 2017, the District issued \$11,668,508 of 2017 General Obligation Refunding Bonds as a private placement refunding. The 2017 refunding bonds were issued as current interest bonds. The bonds have a final maturity of November 1, 2029 with an interest yield of 2.14 percent. Proceeds from the sale of the bonds were used to refund a portion of the outstanding General Obligation Bonds, Election of 2006, Series 2006A and Series 2008. The Series 2006A refunding resulted in a cumulative cash flow savings of \$1,035,477 over the life of the new debt and an economic gain of \$952,408, based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.14 percent. The Series 2008 refunding resulted in a cumulative cash flow savings of \$687,184 over the life of the new debt and an economic gain of \$569,231, based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.14 percent. Deferred charges of \$271,876 remain to be amortized. As of June 30, 2020, the principal balance outstanding was \$9,072,965.

The bonds matures through 2034, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 1,521,949	\$ 13,874	\$ 180,350	\$ 1,716,173
2022	1,612,993	45,717	151,839	1,810,549
2023	1,744,167	47,954	121,496	1,913,617
2024	1,872,303	76,522	89,206	2,038,031
2025	1,990,880	109,596	54,914	2,155,390
2026-2030	9,626,654	3,465,807	133,761	13,226,222
2031-2034	6,672,513	7,322,540	-	13,995,053
Total	<u>\$ 25,041,459</u>	<u>\$ 11,082,010</u>	<u>\$ 731,566</u>	<u>\$ 36,855,035</u>

Certificates of Participation

On July 14, 2010, the District issued the 2010 Series A Taxable Certificates of Participation (Direct Subsidy Qualified School Construction Bonds) in the amount of \$14,150,000 pursuant to a lease agreement between the District and the Inyo-Kern Schools Financing Authority. The Certificates have a final maturity date of June 1, 2026, with an interest rate of 6.75 percent. Proceeds from the Certificates were used to finance the modernization, equipping, furnishing, and/or improving of certain capital facilities of the District and to pay for cost of issuance. As of June 30, 2020, the principal balance outstanding was \$9,750,000.

The certificates mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 1,100,000	\$ 658,125	\$ 1,758,125
2022	1,100,000	583,875	1,683,875
2023	1,100,000	509,625	1,609,625
2024	1,100,000	435,375	1,535,375
2025	1,100,000	361,125	1,461,125
2026	4,250,000	286,875	4,536,875
Total	<u>\$ 9,750,000</u>	<u>\$ 2,835,000</u>	<u>\$ 12,585,000</u>

2017 Lease Revenue Refunding Bonds (Private Placement Refunding)

On October 5, 2017, the District, through the Inyo-Kern Schools Financing Authority (the Authority) and pursuant to a lease agreement with the Authority, issued \$3,087,684 in 2017 Lease Revenue Refunding Bonds. The District and the Authority, in order to facilitate the financing of the project, entered into a lease agreement by which the District will lease to the Authority those certain parcels of real property located within the District and pursuant to a sublease, the Authority will sublease the property to the District, with the District required to pay base rental to the Authority as payment for the bonds. The bonds have a final maturity date of May 1, 2031, with an interest rate of 2.38 percent. Proceeds from the bonds were used to refinance all of the prior Lease Revenue Bonds, Series 2007, which were previously issued to finance the acquisition and construction of designated school facilities. The refunding resulted in a cumulative cash flow savings of \$471,945 over the life of the new debt and an economic gain of \$404,214, based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.38 percent. At June 30, 2020, the principal balance outstanding was \$2,483,467.

The bonds mature through 2031 as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 200,178	\$ 59,107	\$ 259,285
2022	202,996	54,342	257,338
2023	210,128	49,511	259,639
2024	216,730	44,510	261,240
2025	218,695	39,352	258,047
2026-2030	1,182,342	115,793	1,298,135
2031	252,398	6,007	258,405
Total	<u>\$ 2,483,467</u>	<u>\$ 368,622</u>	<u>\$ 2,852,089</u>

State of California Loans

In February 2010, the 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 percent. As of June 30, 2020, there was no remaining principal balance outstanding.

In June 2011, the 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. As of June 30, 2020, there was no remaining principal balance outstanding.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$146,239.

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 22,822,671	\$ 1,743,249	\$ 858,974	\$ 3,158,804
Medicare Premium Payment (MPP) Program	278,788	-	-	11,548
Total	<u>\$ 23,101,459</u>	<u>\$ 1,743,249</u>	<u>\$ 858,974</u>	<u>\$ 3,170,352</u>

The details of each plan are as follows:

District Retiree Health Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At July 1, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	71
Active employees	<u>479</u>
Total	<u><u>550</u></u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Sierra Sands Teacher Association (SSTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required benefit payment is based on projected pay-as-you-go financing requirements, as determined annually through the agreements with the District, SSTA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$1,646,886 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$22,822,671 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.20 percent, net of investment expense, including inflation
Healthcare cost trend rates	6.00 percent for 2020

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the July 1, 2019 valuation were based on plan experience through July 1, 2019.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2019	<u>\$ 20,427,302</u>
Service cost	1,530,264
Interest	574,675
Changes of benefit terms	938,053
Differences between expected and actual experience	(697,107)
Changes of assumptions or other inputs	1,696,370
Benefit payments	<u>(1,646,886)</u>
Net change in total OPEB liability	<u>2,395,369</u>
Balance, June 30, 2020	<u><u>\$ 22,822,671</u></u>

There were no changes to benefit terms in the June 30, 2020 actuarial report.

The discount rate changed from 3.62 in the 2018 valuation to 2.20 in the 2019 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	\$ 24,459,996
Current discount rate (2.20%)	22,822,671
1% increase (3.20%)	21,297,934

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.0%)	\$ 20,491,203
Current healthcare cost trend rate (6.0%)	22,822,671
1% increase (7.0%)	25,564,360

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,158,804. At June 30, 2020, the District reported deferred inflow of resources and deferred outflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 858,974
Changes of assumptions	1,743,249	-
Total	\$ 1,743,249	\$ 858,974

The deferred inflows of resources related to differences between expected and actual experience and the deferred outflows of resources related to changes of assumptions will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 126,325
2022	126,325
2023	126,325
2024	126,325
2025	126,325
Thereafter	252,650
Total	\$ 884,275

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$278,788 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0749 percent, and 0.0698 percent, resulting in a net increase in the proportionate share of 0.0051 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$11,548.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 304,221
Current discount rate (3.50%)	278,788
1% increase (4.50%)	255,403

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 261,308
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	278,788
1% increase (4.7% Part A and 5.1% Part B)	313,704

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 108,249	\$ -	\$ -	\$ 108,249
Stores inventories	76,508	-	32,080	108,588
Total nonspendable	<u>184,757</u>	<u>-</u>	<u>32,080</u>	<u>216,837</u>
Restricted				
Legally restricted programs	1,055,882	-	86,756	1,142,638
Capital projects	-	-	1,611,344	1,611,344
Debt services	-	-	3,237,208	3,237,208
Total restricted	<u>1,055,882</u>	<u>-</u>	<u>4,935,308</u>	<u>5,991,190</u>
Committed				
Adult education program	299,262	-	-	299,262
Deferred maintenance program	806,171	-	-	806,171
Capital projects	-	4,850,334	-	4,850,334
Child care	-	-	212,292	212,292
Total committed	<u>1,105,433</u>	<u>4,850,334</u>	<u>212,292</u>	<u>6,168,059</u>
Assigned				
Other postemployment benefits	2,144,908	-	-	2,144,908
Other assigned	394,887	-	-	394,887
Total assigned	<u>2,539,795</u>	<u>-</u>	<u>-</u>	<u>2,539,795</u>
Unassigned				
Reserve for economic uncertainties	9,056,322	-	-	9,056,322
Remaining unassigned	-	-	(31,441)	(31,441)
Total unassigned	<u>9,056,322</u>	<u>-</u>	<u>(31,441)</u>	<u>9,024,881</u>
Total	<u>\$ 13,942,189</u>	<u>\$ 4,850,334</u>	<u>\$ 5,148,239</u>	<u>\$ 23,940,762</u>

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Self-Insured Schools of California (SISC II), a joint powers authority, for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the Self-Insured Schools of California (SISC I), a joint powers authority. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with Self-Insured Schools of California (SISC III), a joint powers authority, to provide employee health and welfare benefits. SISC III is a shared risk pools comprised of several local educational agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 38,220,931	\$ 12,292,703	\$ 2,983,432	\$ 4,975,757
CalPERS	18,422,467	4,926,575	351,066	3,239,512
Total	<u>\$ 56,643,398</u>	<u>\$ 17,219,278</u>	<u>\$ 3,334,498</u>	<u>\$ 8,215,269</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	17.10%	17.10%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$4,064,132.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 38,220,931
State's proportionate share of the net pension liability	<u>20,852,070</u>
Total	<u><u>\$ 59,073,001</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0423 percent and 0.0389 percent, resulting in a net increase in the proportionate share of 0.0034 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$4,975,757. In addition, the District recognized pension expense and revenue of \$3,105,323 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,064,132	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,297,971	434,127
Differences between projected and actual earnings on pension plan investments	-	1,472,283
Differences between expected and actual experience in the measurement of the total pension liability	96,488	1,077,022
Changes of assumptions	4,834,112	-
Total	\$ 12,292,703	\$ 2,983,432

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (148,505)
2022	(1,168,819)
2023	(242,666)
2024	87,707
Total	\$ (1,472,283)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 1,342,395
2022	1,342,397
2023	1,639,231
2024	1,683,639
2025	408,333
Thereafter	<u>301,427</u>
Total	<u>\$ 6,717,422</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 56,914,130
Current discount rate (7.10%)	38,220,931
1% increase (8.10%)	22,720,709

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$1,894,766.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,422,467. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0632 percent and 0.0584 percent, resulting in a net increase in the proportionate share of 0.0048 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$3,239,512. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,894,766	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	816,631	180,194
Differences between projected and actual earnings on pension plan investments	-	170,872
Differences between expected and actual experience in the measurement of the total pension liability	1,338,211	-
Changes of assumptions	876,967	-
	<u>\$ 4,926,575</u>	<u>\$ 351,066</u>
Total	<u>\$ 4,926,575</u>	<u>\$ 351,066</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 168,670
2022	(336,911)
2023	(51,055)
2024	48,424
Total	<u>\$ (170,872)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 1,556,966
2022	767,652
2023	479,087
2024	47,910
Total	<u>\$ 2,851,615</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 26,554,774
Current discount rate (7.15%)	18,422,467
1% increase (8.15%)	11,676,156

Alternative Retirement System (SISC Defined Benefit Plan)

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the SISC Defined Benefit Plan as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 4.4 percent of an employee's gross earnings. An employee (hired after January 1, 2013) is required to contribute 1.6 percent (of the 4.4 percent) of his or her gross earnings to the pension plan. The District's contributions to SISC Defined Benefit Plan for the fiscal year ending June 30, 2020 was \$23,080.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,178,065 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$730,596 have been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from amounts reported in the General Fund – Budgetary Comparison Schedule.

Note 13 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

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

Note 14 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the SISC III, SISC I, and the SISC II public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage.

The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of \$465,765, \$587,435, and \$11,007,038, to SISC I, SISC II, and SISC III, respectively, for the coverage's noted above.

Note 15 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information
June 30, 2020

Sierra Sands Unified School District

Sierra Sands Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 49,585,616	\$ 48,299,535	\$ 48,582,230	\$ 282,695
Federal sources	5,690,422	6,262,630	5,991,437	(271,193)
Other State sources	4,964,912	5,857,148	9,190,917	3,333,769
Other local sources	571,500	1,252,225	1,738,700	486,475
Total revenues ¹	<u>60,812,450</u>	<u>61,671,538</u>	<u>65,503,284</u>	<u>3,831,746</u>
Expenditures				
Current				
Certificated salaries	24,775,859	24,629,934	24,880,575	(250,641)
Classified salaries	8,918,465	9,131,135	9,271,227	(140,092)
Employee benefits	16,392,681	16,476,938	19,887,337	(3,410,399)
Books and supplies	4,005,731	4,203,679	3,779,928	423,751
Services and operating expenditures	7,079,577	8,396,215	7,747,479	648,736
Other outgo	496,968	445,398	667	444,731
Capital outlay	480,363	304,460	983,725	(679,265)
Total expenditures ¹	<u>62,149,644</u>	<u>63,587,759</u>	<u>66,550,938</u>	<u>(2,963,179)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,337,194)</u>	<u>(1,916,221)</u>	<u>(1,047,654)</u>	<u>868,567</u>
Other Financing Sources (Uses)				
Transfers in	19,247	17,653	352,082	334,429
Transfers out	(175,000)	(930,579)	(1,808,696)	(878,117)
Net financing sources (uses)	<u>(155,753)</u>	<u>(912,926)</u>	<u>(1,456,614)</u>	<u>(543,688)</u>
Net Change in Fund Balances	(1,492,947)	(2,829,147)	(2,504,268)	324,879
Fund Balance - Beginning	16,446,457	16,446,457	16,446,457	-
Fund Balance - Ending	<u>\$ 14,953,510</u>	<u>\$ 13,617,310</u>	<u>\$ 13,942,189</u>	<u>\$ 324,879</u>

¹ Due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures, however are not included in the original and final budgeted amounts. On behalf payments of \$2,178,065 are included in the actual revenues and expenditures but have not been included in the budgeted amounts. In addition, on behalf payments of \$730,596 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Sierra Sands Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,530,264	\$ 1,686,968	\$ 1,053,045
Interest	574,675	600,454	602,438
Adjustment to beginning balance	938,053		
Difference between expected and actual experience	(697,107)	(328,055)	-
Changes of assumptions	1,696,370	341,123	-
Benefit payments	(1,646,886)	(2,097,892)	(1,345,652)
Net change in total OPEB liability	2,395,369	202,598	309,831
Total OPEB Liability - Beginning	20,427,302	20,224,704	19,914,873
Total OPEB Liability - Ending	<u>\$ 22,822,671</u>	<u>\$ 20,427,302</u>	<u>\$ 20,224,704</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Sierra Sands Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0749%	0.0698%	0.0686%
Proportionate share of the net OPEB liability	\$ 278,788	\$ 267,240	\$ 288,674
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Sierra Sands Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	(as Restated) 2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.0423%	0.0389%	0.0379%	0.0375%	0.0370%	0.0390%
Proportionate share of the net pension liability (asset)	\$ 38,220,931	\$ 35,749,862	\$ 35,050,520	\$ 30,338,459	\$ 16,399,000	\$ 14,328,000
State's proportionate share of the net pension liability (asset)	20,852,070	20,468,468	20,735,592	17,271,144	8,672,000	8,653,000
Total	<u>\$ 59,073,001</u>	<u>\$ 56,218,330</u>	<u>\$ 55,786,112</u>	<u>\$ 47,609,603</u>	<u>\$ 25,071,000</u>	<u>\$ 22,981,000</u>
Covered payroll	<u>\$ 23,230,141</u>	<u>\$ 20,575,350</u>	<u>\$ 20,087,099</u>	<u>\$ 18,693,924</u>	<u>\$ 17,284,809</u>	<u>17,516,061</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>164.53%</u>	<u>173.75%</u>	<u>174.49%</u>	<u>162.29%</u>	<u>94.88%</u>	<u>82%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability (asset)	0.0632%	0.0584%	0.0600%	0.0607%	0.0630%	0.0594%
Proportionate share of the net pension liability (asset)	\$ 18,422,467	\$ 15,565,509	\$ 14,315,532	\$ 11,986,242	\$ 9,291,000	\$ 6,747,000
Covered payroll	<u>\$ 8,839,281</u>	<u>\$ 7,786,170</u>	<u>\$ 7,646,882</u>	<u>\$ 7,280,957</u>	<u>\$ 6,978,014</u>	<u>6,239,102</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>208.42%</u>	<u>199.91%</u>	<u>187.21%</u>	<u>164.62%</u>	<u>133.15%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Sierra Sands Unified School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 4,064,132	\$ 3,781,867	\$ 2,969,023	\$ 2,526,957	\$ 2,005,858	\$ 1,534,891
Less contributions in relation to the contractually required contribution	<u>4,064,132</u>	<u>3,781,867</u>	<u>2,969,023</u>	<u>2,526,957</u>	<u>2,005,858</u>	<u>1,534,891</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$23,766,854</u>	<u>\$23,230,141</u>	<u>\$20,575,350</u>	<u>\$20,087,099</u>	<u>\$18,693,924</u>	<u>\$17,284,809</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 1,894,766	\$ 1,596,551	\$ 1,209,270	\$ 1,061,999	\$ 862,575	\$ 821,382
Less contributions in relation to the contractually required contribution	<u>1,894,766</u>	<u>1,596,551</u>	<u>1,209,270</u>	<u>1,061,999</u>	<u>862,575</u>	<u>821,382</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,607,860</u>	<u>\$ 8,839,281</u>	<u>\$ 7,786,170</u>	<u>\$ 7,646,882</u>	<u>\$ 7,280,957</u>	<u>\$ 6,978,014</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2020, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	<u>\$ 64,518,338</u>	<u>\$ 68,359,634</u>	<u>\$ 3,841,296</u>

* Includes on behalf payments of \$2,908,661. In addition, due to the consolidation of Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund into the General Fund, expenditures for these funds totaling \$715,228 are included in actual expenditures but are not included in the budgeted amounts.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – No changes noted in the July 1, 2019 actuarial valuation
- *Change of Assumptions* – The discount rate changed from 3.62 in the 2018 valuation to 2.20 in the 2019 valuation and the health care cost trend rate did not change from the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2020

Sierra Sands Unified School District

Sierra Sands Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Federal Impact Aid	84.041	[1]	\$ 1,821,683	\$ -
Passed through California Department of Education (CDE)				
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010	14329	1,584,318	33,316
	84.010	15438	<u>10,132</u>	<u>-</u>
Subtotal			1,594,450	33,316
Title II, Part A, Supporting Effective Instruction	84.367	14341	326,698	5,294
Title III, English Learner Student Program	84.365	14346	30,068	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	155,575	2,981
Title IV, Part A, Student Support and Academic Enrichment Grant Program (Competitive)	84.424	15391	<u>3,490</u>	<u>-</u>
Subtotal			159,065	2,981
Passed through Sierra Sands SELPA				
Special Education Cluster				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	997,304	-
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	14,492	-
Preschool Grants, Part B, Sec 619	84.173	13430	30,437	-
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	56,642	-
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>1,000</u>	<u>-</u>
Subtotal Special Education Cluster			<u>1,099,875</u>	<u>-</u>
Early Intervention Grants, Part C	84.181	23761	25,481	-
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	<u>44,496</u>	<u>-</u>
Total U.S. Department of Education			<u>5,101,816</u>	<u>41,591</u>
U.S. Department of Agriculture				
Passed Through California Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	13396	776,581	-
Especially Needy Breakfast Program	10.553	13526	411,625	-
Commodities	10.555	13396	189,196	-
Meal Supplements	10.556	13392	21,644	-
Summer Food Service Program Operations	10.559	13004	<u>232,456</u>	<u>-</u>
Total Child Nutrition Cluster			<u>1,631,502</u>	<u>-</u>
Forest Service Schools and Roads Cluster				
Forest Reserve Funds	10.665	10044	<u>1,259</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,632,761</u>	<u>-</u>

[1] Direct-award, no PCA number

Sierra Sands Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Defense				
Federal Impact Aid	12.558	[1]	\$ 294,908	\$ -
Support for Student Achievement at Military Connected Schools:				
Support for Student Achievement at Military Connected Schools	12.556	[1]	221,682	-
Support for Student Achievement at Military Connected Schools (STEAM)	12.556	[1]	52,624	-
Support for Student Achievement at Military Connected Schools (Competitive)	12.556	[1]	<u>47,566</u>	<u>-</u>
Subtotal Support for Student Achievement at Military Connected Schools			<u>321,872</u>	<u>-</u>
Total U.S. Department of Defense			<u>616,780</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 7,351,357</u>	<u>\$ 41,591</u>

[1] Direct-award, no PCA number

ORGANIZATION

The Sierra Sands Unified School District was established in 1974 and covers the Ridgecrest area of Kern County. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates six elementary schools, two middle schools, one comprehensive high school, a continuation high school, an adult school, and a preschool program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kurt Rockwell	President	2022
Michael Scott	Vice President	2020
Amy Castillo-Covert	Member	2022
William Farris	Member	2020
Tim Johnson	Member	2022

ADMINISTRATION

Dr. Dave Ostash	Superintendent
Bryan Auld	Assistant Superintendent, Human Resources
Michelle Savko	Assistant Superintendent, Curriculum and Instruction
Pamela Smith	Assistant Superintendent, Business Services

Sierra Sands Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	Final Report	
	Second Period Report CBEB1CDA	Annual Report 56BE0982
Regular ADA		
Transitional kindergarten through third	1,507.23	1,507.23
Fourth through sixth	1,120.75	1,120.75
Seventh and eighth	779.53	779.53
Ninth through twelfth	1,507.97	1,507.97
Total Regular ADA	<u>4,915.48</u>	<u>4,915.48</u>
Extended Year Special Education		
Transitional kindergarten through third	6.93	6.93
Fourth through sixth	2.25	2.25
Seventh and eighth	0.03	0.03
Ninth through twelfth	0.31	0.31
Total Extended Year Special Education	<u>9.52</u>	<u>9.52</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.89	1.89
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.89</u>	<u>1.89</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	2.00	2.00
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>2.00</u>	<u>2.00</u>
Total ADA	<u><u>4,928.89</u></u>	<u><u>4,928.89</u></u>

Sierra Sands Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	52,570	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,670	180	N/A	Complied
Grade 2		50,670	180	N/A	Complied
Grade 3		50,670	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,012	180	N/A	Complied
Grade 5		54,012	180	N/A	Complied
Grade 6		63,880	180	N/A	Complied
Grade 7		63,880	180	N/A	Complied
Grade 8		63,880	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,921	180	N/A	Complied
Grade 10		64,921	180	N/A	Complied
Grade 11		64,921	180	N/A	Complied
Grade 12		64,921	180	N/A	Complied

Sierra Sands Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2020

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Building Fund	Debt Service Fund for Blended Component Units
Fund Balance		
Balance, June 30, 2020, Unaudited Actuals	\$ 1,424,505	\$ -
Increase (Decrease) in:		
Cash in county treasury	(1,423,613)	1,423,613
Balance, June 30, 2020, Audited Financial Statements	\$ 892	\$ 1,423,613

Sierra Sands Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 66,631,686	\$ 61,637,173	\$ 64,244,320	\$ 56,787,225
Other sources	-	17,653	714,957	97,470
Total revenues and other sources	<u>66,631,686</u>	<u>61,654,826</u>	<u>64,959,277</u>	<u>56,884,695</u>
Expenditures	67,327,634	63,132,107	62,991,696	55,405,751
Other uses and transfers out	555,227	822,424	2,315,057	1,315,516
Total expenditures and other uses	<u>67,882,861</u>	<u>63,954,531</u>	<u>65,306,753</u>	<u>56,721,267</u>
Increase/(Decrease) in Fund Balance	<u>(1,251,175)</u>	<u>(2,299,705)</u>	<u>(347,476)</u>	<u>163,428</u>
Ending Fund Balance	<u>\$ 3,471,941</u>	<u>\$ 4,723,116</u>	<u>\$ 7,022,821</u>	<u>\$ 7,370,297</u>
Available Reserves ²	<u>\$ 8,316,701</u>	<u>\$ 9,056,322</u>	<u>\$ 8,986,213</u>	<u>\$ 8,697,533</u>
Available Reserves as a Percentage of Total Outgo	<u>12.25%</u>	<u>14.16%</u>	<u>13.76%</u>	<u>15.33%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 117,166,022</u>	<u>\$ 111,609,937</u>	<u>\$ 111,471,172</u>
K-12 Average Daily Attendance at P-2	<u>4,929</u>	<u>4,929</u>	<u>4,861</u>	<u>4,822</u>

The General Fund balance has decreased by \$2,647,181 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$1,251,175 (26.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$5,694,850 over the past two years.

Average daily attendance has increased by 107 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ General Fund amounts do not include activity related to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, the Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

Sierra Sands Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
Assets					
Deposits and investments	\$ 346,110	\$ 35,518	\$ 887	\$ 455,742	\$ 144,394
Receivables	57,751	179,941	5	189,220	2,861
Due from other funds	-	156,462	-	-	-
Stores inventories	-	32,080	-	-	-
Total assets	\$ 403,861	\$ 404,001	\$ 892	\$ 644,962	\$ 147,255
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,401	\$ 102,992	\$ -	\$ 4,181	\$ -
Due to other funds	5,225	300,370	-	-	-
Unearned revenue	97,187	-	-	-	-
Total liabilities	104,813	403,362	-	4,181	-
Fund Balances					
Nonspendable	-	32,080	-	-	-
Restricted	86,756	-	892	640,781	147,255
Committed	212,292	-	-	-	-
Unassigned	-	(31,441)	-	-	-
Total fund balances	299,048	639	892	640,781	147,255
Total liabilities and fund balances	\$ 403,861	\$ 404,001	\$ 892	\$ 644,962	\$ 147,255

Sierra Sands Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	IKSFA Blended Component Unit Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 490,953	\$ 1,807,035	\$ 1,423,613	\$ 4,704,252
Receivables	331,463	6,560	-	767,801
Due from other funds	-	-	-	156,462
Stores inventories	-	-	-	32,080
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 822,416</u>	<u>\$ 1,813,595</u>	<u>\$ 1,423,613</u>	<u>\$ 5,660,595</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 109,574
Due to other funds	-	-	-	305,595
Unearned revenue	-	-	-	97,187
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,356</u>
Fund Balances				
Nonspendable	-	-	-	32,080
Restricted	822,416	1,813,595	1,423,613	4,935,308
Committed	-	-	-	212,292
Unassigned	-	-	-	(31,441)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>822,416</u>	<u>1,813,595</u>	<u>1,423,613</u>	<u>5,148,239</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 822,416</u>	<u>\$ 1,813,595</u>	<u>\$ 1,423,613</u>	<u>\$ 5,660,595</u>

Sierra Sands Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2020

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
Revenues					
Federal sources	\$ -	\$ 1,631,502	\$ -	\$ -	\$ -
Other State sources	557,856	122,496	-	-	988,025
Other local sources	31,502	318,586	589	737,381	39,888
Total revenues	589,358	2,072,584	589	737,381	1,027,913
Expenditures					
Current					
Instruction	443,274	-	-	-	-
Instruction-related activities					
Supervision of instruction	75,269	-	-	-	-
Pupil services					
Food services	-	2,170,712	-	-	-
Administration					
All other administration	6,490	-	-	12,469	-
Plant services	4,467	387	-	166,419	-
Facility acquisition and construction	-	-	1,746	225,642	311
Debt service					
Principal	21,000	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	550,500	2,171,099	1,746	404,530	311
Excess (Deficiency) of Revenues Over Expenditures	38,858	(98,515)	(1,157)	332,851	1,027,602
Other Financing Sources (Uses)					
Transfers in	-	61,148	-	-	-
Transfers out	-	-	-	-	(3,100,000)
Net Financing Sources (Uses)	-	61,148	-	-	(3,100,000)
Net Change in Fund Balances	38,858	(37,367)	(1,157)	332,851	(2,072,398)
Fund Balance - Beginning	260,190	38,006	2,049	307,930	2,219,653
Fund Balance - Ending	\$ 299,048	\$ 639	\$ 892	\$ 640,781	\$ 147,255

Sierra Sands Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2020

	IKSFA Blended Component Unit Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ 271,582	\$ 1,903,084
Other State sources	-	23,400	-	1,691,777
Other local sources	356,217	1,691,435	2,141	3,177,739
Total revenues	<u>356,217</u>	<u>1,714,835</u>	<u>273,723</u>	<u>6,772,600</u>
Expenditures				
Current				
Instruction	-	-	-	443,274
Instruction-related activities				
Supervision of instruction	-	-	-	75,269
Pupil services				
Food services	-	-	-	2,170,712
Administration				
All other administration	-	-	-	18,959
Plant services	-	-	-	171,273
Facility acquisition and construction	-	-	-	227,699
Debt service				
Principal	-	1,414,805	1,297,253	2,733,058
Interest and other	-	207,106	796,176	1,003,282
Total expenditures	<u>-</u>	<u>1,621,911</u>	<u>2,093,429</u>	<u>6,843,526</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>356,217</u>	<u>92,924</u>	<u>(1,819,706)</u>	<u>(70,926)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	2,093,429	2,154,577
Transfers out	(1,448,460)	-	(271,582)	(4,820,042)
Net Financing Sources (Uses)	<u>(1,448,460)</u>	<u>-</u>	<u>1,821,847</u>	<u>(2,665,465)</u>
Net Change in Fund Balances	(1,092,243)	92,924	2,141	(2,736,391)
Fund Balance - Beginning	<u>1,914,659</u>	<u>1,720,671</u>	<u>1,421,472</u>	<u>7,884,630</u>
Fund Balance - Ending	<u>\$ 822,416</u>	<u>\$ 1,813,595</u>	<u>\$ 1,423,613</u>	<u>\$ 5,148,239</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Sierra Sands Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Sierra Sands Unified School District, it is not intended to and does not present the net position of the district.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the *modified accrual* basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District does not draw for indirect administrative expenses and has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District did not have any food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the interest subsidy on Qualified School Construction Bonds is recorded as federal revenues in the current period but is not required to be reported on the *Schedule of Expenditures of Federal Awards*.

	CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 7,894,521
Qualified School Construction Bonds - Interest Subsidy	N/A	(543,164)
Total schedule of expenditures of federal awards		\$ 7,351,357

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

The District has received incentive funding for increased instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 47 days due to the pandemic. As a result, the District received credit for these 47 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.



Independent Auditor's Reports
June 30, 2020

Sierra Sands Unified School District



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

To the Board of Directors
Sierra Sands Unified School District
Ridgecrest, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Sands Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sierra Sands Unified School District’s basic financial statements and have issued our report thereon dated February 19, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sierra Sands Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Sierra Sands Unified School District in a separate letter dated February 19, 2021.

Sierra Sands Unified School District's Response to Findings

Sierra Sands Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sierra Sands Unified District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rancho Cucamonga, California
February 19, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Sierra Sands Unified School District
Ridgecrest, California

Report on Compliance for Each Major Federal Program

We have audited Sierra Sands Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sierra Sands Unified School District's major federal programs for the year ended June 30, 2020. Sierra Sands Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sierra Sands Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sierra Sands Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Sierra Sands Unified School District's 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, 2020.

Report on Internal Control over Compliance

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

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

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

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



Rancho Cucamonga, California
February 19, 2021



Independent Auditor's Report on State Compliance

To the Board of Directors
Sierra Sands Unified School District
Ridgecrest, California

Report on State Compliance

We have audited Sierra Sands Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2018-2019 that were in Kindergarten in 2019-2020.

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts and After/Before School Education and Safety Program

As described in the accompanying Schedule of State Compliance Findings and Questioned Costs, Sierra Sands Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts and After/Before School Education and Safety Program as items 2020-002 and 2020-003. Compliance with such requirements is necessary, in our opinion, for Sierra Sands Unified School District to comply with the requirements referred to above.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts and After/Before School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sierra Sands Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Sierra Sands Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Sierra Sands Unified School 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.

Unmodified Opinion on Each of the Other Programs

In our opinion, Sierra Sands Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 19, 2021



Schedule of Findings and Questioned Costs
June 30, 2020

Sierra Sands Unified School District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Federal Impact Aid	84.041
Special Education Cluster	84.027, 84.027A, 84.173, 84.173A
Child Nutrition Cluster	10.555, 10.553, 10.556, 10.559
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified*
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*Unmodified for all programs except for the following programs which were qualified:

Name of Program
Unaplicated Local Control Funding Formula Pupil Counts After/Before School Education and Safety Program

The following findings represent significant deficiency related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

	Five Digit Code	AB 3627 Finding Type
	60000	Miscellaneous
2020-001	60000	

Criteria or Specific Requirements

Management has a responsibility to evaluate whether there is sufficient resources and fund balance to support program operations.

Condition

The Cafeteria Fund’s trend of deficit spending and inadequate cash flow have affected the Cafeteria Non-Major Governmental Fund’s financial condition. The ending fund balance for the Cafeteria Non-Major Governmental Fund is \$639, but the nonspendable fund balance related to inventory is \$32,080.

Questioned costs

There are no questioned costs associated with this finding.

Context

The condition was identified during the final year-end audit procedures of the components of fund balance as reported on the unaudited actuals.

Effect

Due to the effect of the conditions identified, the Cafeteria Non-Major Governmental fund balance of \$639 and nonspendable fund balance of \$32,080 resulted in the fund’s unassigned balance of \$(31,441)

Cause

The cause of the condition identified appears to be due to inability of the Cafeteria Fund to meet its own operational needs. The Cafeteria Fund depends on borrowing from the General Fund.

Recommendation

The District should monitor its budget to actual results to ensure that the Cafeteria Non-Major Governmental Fund can maintain its operations. Contributions from the General Fund should be sufficient to make the Cafeteria Fund “whole”. The District should consider a budget/fiscal accountability plan to help improve the financial performance of the Cafeteria Fund.

Repeat Finding

No.

Corrective Action Plan/Views of Responsible Officials

All Fund Balances at closing will be closely reviewed to ensure there are sufficient funds to close the fund for the fiscal year. In regards to Fund 13, the District will be implementing a thorough review of attributed costs to ensure there are no unnecessary expenses, as well as ensuring the program is operating as efficiently as possible.

None reported.

The following findings represent instances of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-002 40000 – Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

In accordance with *Education Code* sections 2574(b)(3)(c), 42238.02(b)(3)(B), and 41020, the District is required to maintain supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application or an alternative household income data collection form that indicates the student was eligible for the designation reported on the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The District utilizes alternative household income data collection forms to obtain eligibility status for the unduplicated pupil count. However, the data reported on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report was not consistent with the documentation on the alternative household income data collections forms. We noted that for certain pupils, the income reported on the alternative household income data collection forms did not qualify the pupils as eligible, but the pupils were reported as free/reduced.

Questioned Costs

The questioned costs associated with this condition resulted in a decrease of \$283,312 in Local Control Formula Funding using CDE’s fiscal penalty calculator.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The "1.18 – FRPM/English Learner/Foster Youth – Student List" was agreed to "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report to ensure the correct 1.18 report was used. We then selected an initial sample of 60 students for testing pupils claimed as free/reduced only and found three exceptions. The identification of three incorrectly reported pupil statuses out of 60 reviewed alternative income eligibility forms resulted in an error rate of five percent. The District opted to extrapolate the impact of this error rate to the entire District population of 2,957 pupils claimed as free/reduced only, which resulted in a total of 148 exceptions.

Effect

As a result of our testing, it appears that the District did not properly analyze the alternative household income data collection forms to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Unduplicated Pupil County Adjustment (FRPM)	Total Adjusted Enrollment	Adjusted Total Unduplicated Pupil Count
5,180	2957	-148	5,180	2,809

Cause

It appears the cause was due to the new procedure implemented to collect alternative household income data collection forms. However, the District did not provide training or develop a process to ensure that all employees involved in collecting the forms were properly informed of the requirements.

Repeat Finding

Yes, see 2019-005

Recommendation

The District should review current procedures and develop revised procedures to ensure that employees collecting and reporting eligibility using alternative household income data collection forms are properly trained to understand the requirements regarding the unduplicated pupil count and necessary documentation that must be maintained to support students claimed.

Corrective Action Plan/Views of Responsible Officials

For the 2020-2021 school year, the District has invested in RocketScan software and technology to eliminate the human component of data entry. All documentation related to the collection of unduplicated pupil counts is stored digitally. Any hard copy documents will be scanned and retained both digitally as well as physical copies.

2020-003 40000 – Before School Education and Safety Program

Criteria or Specific Requirements

Education Code Section 8483.1(a)(1) requires each before school component of a program to establish a policy regarding reasonable late daily arrival of pupils to the program. *Education Code* Section 8483.1(a)(2)(A) states that pupils are to attend a minimum of six hours a week or three days a week, except when arriving late in accordance with the late arrival policy.

Condition

Through review of the before school program’s procedures for Pierce Elementary School, it was noted that a late arrival policy has not been maintained to document late arrival procedures for the program. Additionally, the program has not maintained records to demonstrate the time that students arrive to the program. Due to the lack of supporting records indicating arrival times, the program’s attendance records could not be verified.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Pierce Elementary School’s operating procedures, inquiry with District personnel, and our review of the school’s attendance records for the month of November 2019.

Effect

As a result of our testing, the District was not compliant with *Education Code* Sections 8483(a)(1) and 8483.1(a)(2)(A) for the 2019-2020 fiscal year, as a late arrival policy has not been maintained and student arrival times have not been documented for the program.

Cause

The cause of the condition appears to be a result of the program’s inadequate processes used to document late arrival times.

Repeat Finding

Yes, see 2019-006

Recommendation

We recommend the District create a late arrival policy to reasonably provide for students to meet the minimum requirement of six attendance hours per week or three days per week. Additionally, it is recommended that the District begin to document arrival times for students to allow for the determination of weekly attendance hours.

Corrective Action Plan/Views of Responsible Officials

Site personnel have been given guidance outlining the expectations including but not limited to: accurate sign in sheets, attendance data, and student applications being kept for the program year, and made available for periodic internal audits as well as the annual District audit. Parents will complete the annual application for their students to attend the Before School Program. By signing the applications, parents are acknowledging and agreeing to follow the program requirements, including but not limited to: daily attendance requirements, late arrival policies, signing students in, and behavior expectations.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2019-001 Code 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of financial account balances to ensure that they agree to corresponding supporting records.

Condition

During the course of our engagement, we identified material misstatements of balances within the District's 2018-2019 unaudited actuals financial report. Through review of supporting records, it was noted that the Capital Facilities Fund's Due to Other Funds balance was understated by \$760,208, the Building Fund's Cash with Fiscal Agent balance and Due to Other Funds balance were overstated and understated by \$1,712,355 and \$104,181, respectively, and the Special Reserve Fund for Capital Outlay Project's Due From Other Funds balance was understated by \$864,389. The net result of these errors was a \$760,208 overstatement of the Capital Facilities Fund's ending fund balance, a \$1,816,536 overstatement of the Building Fund's ending fund balance, and an \$864,389 understatement of the Special Reserve Fund for Capital Outlay Project's ending fund balance.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and review of available District records related to the financial account balances in the Capital Facilities Fund, the Building Fund, and the Special Reserve Fund for Capital Outlay Projects.

Effect

Due to the condition identified, the District's Capital Facilities Fund ending fund balance has been overstated by \$760,208, the Building Fund ending fund balance has been overstated by \$1,816,536. And the Special Reserve Fund for Capital Outlay Projects ending fund balance has been understated by \$864,389.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the District's financial information.

Repeat Finding

No

Recommendation

Management should review financial account balances to ensure that they have been correctly reported. Balances should be traced to supporting records to verify the accuracy and completeness of reported information.

Current status

Implemented

Federal Awards Findings

2019-002 Code 50000 (Significant Deficiency)

Federal Program Affected

Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.556
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Program Name: Community Investment
CFDA Number: 12.600
Direct Award
Federal Agency: U.S. Department of Defense

Criteria or Specific Requirements

Title 2, Code of Federal Regulations, Part 180, Subpart C, Section 180.300 provides procedures that must be followed by recipients and subrecipients of Federal awards to avoid entering into covered transactions with certain parties that are debarred, suspended, or excluded from participation in Federal assistance programs. These procedures include searching for such exclusions on the System of Award Management (SAM), collecting a certification from such parties, or adding a clause or condition to the covered transaction with those parties.

Condition

Out of three covered transactions tested, two did not contain documentation to support the District's compliance with required procedures identified in Title 2, Code of Federal Regulations, Part 180, Subpart C, Section 180.300. Specifically, the District did not maintain supporting records for these covered transactions to indicate the District's search for exclusions on the SAM in the current fiscal year.

Questioned Costs

There were no questioned costs identified, as the parties involved in these covered transactions were neither suspended nor debarred.

Context

The condition was identified as a result of inquiry with the District's Business Services personnel and through review of supporting documents.

Effect

The District has been engaging in procurement activities without verifying if parties are suspended or debarred from participation in Federal assistance programs. The District currently assumes all the risk of non-compliance with requirements stated under Title 2, Code of Federal Regulations, Part 180, Subpart C, Section 180.300 due to the lack of implemented review and monitoring procedures.

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 2, Code of Federal Regulations, Part 180, Subpart C, Section 180.300.

Repeat Finding (Yes or No)

No

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 180, Subpart C, Section 180.300 and implement a procedure to address the deficiency currently identified with the District's procurement process.

Current status

Implemented

2019-003 Code 50000 (Material Weakness, Noncompliance)

Federal Program Affected

Child Nutrition Cluster

CFDA: 10.553, 10.555, 10.556, 10.559

Pass-Through Entity: California Department of Education

Federal Agency: U.S. Department of Agriculture

Program Name: Community Investment

CFDA Number: 12.600

Direct Award

Federal Agency: U.S. Department of Defense

Criteria or Specific Requirements

Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318(a) requires recipients and subrecipients of Federal awards to maintain and use documented procurement procedures that conform to standards identified in Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318.

Condition

Through inquiry with the District's Business Services personnel, documented procurement procedures have not been developed or maintained by the District to comply with standards identified in Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of inquiry with the District's Business Services personnel and review of District policies.

Effect

The District has not maintained documented procurement procedures to demonstrate compliance with the requirements of Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318. The District currently assumes all the risk of non-compliance with requirements stated under Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318 due to the lack of documented procurement procedures.

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318.

Repeat Finding (Yes or No)

No

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 200, Subpart D, Section 200.318 and implement a procedure to address the deficiency currently identified with the District's documentation of procurement processes.

Current status

Implemented

2019-004 Code 50000 (Material Weakness)

Federal Program Affected

Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.556, 10.559
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Special Education Cluster
CFDA: 84.027, 84.027A, 84.173, 84.173A
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition

The District did not have sufficient controls in place to allow for all necessary reviews and pre-approvals of employees charged to Federal awards. The District implemented hiring procedures for federally-funded employees in the 2019 fiscal year, which state that such funding approvals must be documented by a Federal Program Administrator and the Director of Finance and Budget. Through testing of six newly hired employees charged to Federal awards, none were supported by documentation that indicated review and approval by these personnel.

Questioned Costs

This finding represents a material weakness in internal control over federal compliance. However, there were no questioned costs associated with this finding as we did not identify any non-compliance or unallowable expenditures as a result of the finding.

Context

The condition was identified through gaining our understanding of the internal controls of the Child Nutrition and Special Education payroll expenditures, through our review of the payroll charged to the program, and review of supporting documentation.

Effect

Although we did not identify any noncompliance with the Activities Allowed/Allowable Costs Principles, the findings results in a material weakness in internal controls.

Cause

The identified condition appears to have materialized due to the District's insufficient monitoring of approval procedures required when hiring employees charged to Federal awards.

Repeat Finding (Yes or No)

Yes

Recommendation

The District should establish procedures that are consistently implemented when hiring employees. Most common controls include the use of a personnel requisition to document the authorization to hire and budget authorization for the program/account to be charged.

Current status

Implemented

State Compliance Findings

2019-005 Code 40000 - Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

In accordance with *Education Code* sections 2574(b)(3)(c), 42238.02(b)(3)(B), and 41020, the District is required to maintain supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application or an alternative household income data collection form that indicates the student was eligible for the designation reported on the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The District utilizes alternative household income data collection forms to obtain eligibility status for the unduplicated pupil count. However, the data reported on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report was not consistent with the documentation on the alternative household income data collections forms. We noted that for certain pupils, the income reported on the alternative household income data collection forms did not qualify the pupils as eligible, but the pupils were reported as free/reduced.

Questioned Costs

The questioned costs associated with this condition resulted in a decrease of \$158,918 in Local Control Formula Funding.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The "1.18 – FRPM/English Learner/Foster Youth – Student List" was agreed to "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report to ensure the correct 1.18 report was used. We then selected an initial sample of 60 students for testing pupils claimed as free/reduced only and found one exception. Upon further discussion with the District, it was noted that the alternative household income data collection form was misinterpreted by staff responsible for updating free/reduced statuses in CALPADS. Through review of 100 additional alternative household income data collection forms, three similar instances were identified in which the alternative household income data collection forms did not qualify the pupils as eligible, but the pupils were reported as free/reduced. The cumulative identification of four incorrectly reported pupil statuses out of 160 reviewed alternative income eligibility forms resulted in an error rate of 2.5%. The District opted to extrapolate the impact of this error rate to the entire District population of 3,335 pupils claimed as free/reduced only, which resulted in a total of 84 exceptions.

Effect

As a result of our testing, it appears that the District did not properly analyze the alternative household income data collection forms to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Unduplicated Pupil County Adjustment (FRPM)	Total Adjusted Enrollment	Adjusted Total Unduplicated Pupil Count
5,118	3,335	(84)	5,118	3,251

Cause

It appears the cause was a result of the lack of understanding of how to interpret the forms by the employees assigned responsibility for interpreting the alternative household income data collection form.

Repeat Finding

Yes, see 2018-002

Recommendation

The District should review current procedures and develop revised procedures to ensure that employees collecting and reporting eligibility using alternative household income data collection forms are properly trained to understand the requirements regarding the unduplicated pupil count and necessary documentation that must be maintained to support students claimed.

Current status

Not Implemented. See 2020-002.

2019-006 Code 40000 - After/Before School Education and Safety Program

Criteria or Specific Requirements

Education Code Section 8483.1(a)(1) requires each before school component of a program to establish a policy regarding reasonable late daily arrival of pupils to the program. *Education Code* Section 8483.1(a)(2)(A) states that pupils are to attend a minimum of six hours a week or three days a week, except when arriving late in accordance with the late arrival policy.

Condition

Through review of the before school program's procedures for Pierce Elementary School, it was noted that a late arrival policy has not been maintained to document late arrival procedures for the program. Additionally, the program has not maintained records to demonstrate the time that students arrive to the program. Due to the lack of supporting records indicating arrival times, the program's attendance records could not be verified.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Pierce Elementary School's operating procedures, inquiry with District personnel, and our review of the school's attendance records for the month of December 2018.

Effect

As a result of our testing, the District was not compliant with *Education Code* Sections 8483(a)(1) and 8483.1(a)(2)(A) for the 2018-2019 fiscal year, as a late arrival policy has not been maintained and student arrival times have not been documented for the program.

Cause

The cause of the condition appears to be a result of the program's inadequate processes used to document late arrival times.

Repeat Finding

No

Recommendation

We recommend the District create a late arrival policy to reasonably provide for students to meet the minimum requirement of six attendance hours per week or three days per week. Additionally, it is recommended that the District begin to document arrival times for students to allow for the determination of weekly attendance hours.

Current status

Not Implemented. See 2020-003.



Management
Sierra Sands Unified School District
Ridgecrest, California

In planning and performing our audit of the financial statements of Sierra Sands Unified School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 19, 2021, on the government-wide financial statements of the District.

Burroughs High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that club advisors are not consistently providing adequate supporting documentation for cash collections. Out of four deposits tested, three deposits had receipts that could not be traced to adequate supporting documentation. As a result, the completeness and timeliness of these deposits could not be verified.
2. Out of traceable receipts, late deposits ranged from 11-18 days from receipt date.
3. Of traceable receipts, one contained a shortage without explanation.
4. Auditor noted out of 25 disbursements tested, two expenditure/check request forms or purchase order forms were incomplete. Both requests lacked at least one signature of approval.
5. Auditor noted out of 25 disbursements tested, ten disbursements lacked approval from the student body before funds were disbursed.
6. Auditor noted out of 25 disbursements tested, three disbursements did not have proper receiving documentation.
7. Auditor noted out of 25 disbursements tested, seven disbursements were signed late by the principal after funds had already gone out. In one case, funds had been disbursed for almost 30 days and the event had already occurred before the principal had signed.
8. Auditor noted out of 25 disbursements tested, one disbursement was an unallowed cost for beverages to be stocked exclusively in the teacher's lounge.
9. Auditor noted out of 25 disbursements tested, one disbursement was found to have no expenditure/check request or purchase order attached to the funds disbursed.
10. Auditor noted out of 25 disbursements tested, one disbursement was found to have been mailed directly to the ASB Advisor's home rather than the school site.

11. Bank reconciliations are not being prepared on a timely basis. Both reconciliations were prepared more than three months after the month had ended.
12. Outstanding deposits received a verbal comment in prior years; however, they are still listed as outstanding (six months or more) in current year's audit. 17 stale dated checks totaling \$1,098.92 have not been cleared, as a result ASB book balance is understated.
13. Activity Request forms are not being approved by the student body.
14. Activity Request forms do not follow up on actual expenses and revenues after the event's end.
15. Of ticketed events tested, one ticket sales log contained a shortage of \$55.00 without explanation.
16. Inventory counts have not been maintained and therefore perpetual inventory records have not been maintained for student store items.
17. Although cash collections are being compared to items sold, there is no explanation of daily overages/shortages.

Recommendation

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name, and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
3. The site should analyze the procedures at the student store and enhance the control environment by implementing new procedures and changing current procedures. The procedural changes should include the following:
 - a. Daily overages in the register usually mean that merchandise was sold and not rung up on the register. To enhance the accountability and accounting of the student store activity, the importance of ringing all merchandise sales up should be emphasized to all who work the register. Daily cash shortages can be attributable to incorrect change being handed out, misplaced funds, or theft. If differences are of a substantial amount, an investigation should be conducted to try and pinpoint the reason.
4. The site should revise the procedures for request for payment form to include a space for all three required approval signatures and hold funds until all three required signatures are present. These signatures are District appointed representatives, an advisor and a student representative.
5. Checks must never be issued unless they are filled out including the payee, date, approval signatures and amount in order to properly safeguard cash. The safeguard accounting ledgers should record only the carbon of the actual notations on the check. Handwriting amounts or other information, besides the account balance information, on the ledger sheets is not appropriate.

6. All invoices should be accompanied by a purchase order where applicable and signed receiving documentation. This reduces the risk of unauthorized spending, and items being paid for and not received. Purchase orders provide clubs with documentation of items requested that can then be checked to the receiving documentation for accuracy and completeness, giving the clubs better control over their spending and inventory.
7. Checks must never be issued unless they are filled out including the payee, date, approval signatures and amount in order to properly safeguard cash. The safeguard accounting ledgers should record only the carbon of the actual notations on the check. Handwriting amounts or other information, besides the account balance information, on the ledger sheets is not appropriate.
8. Disbursements must never be issued for the purpose of district employee gifts or meals, as such purchases are prohibited.
9. Before checks are written out of the account, a check request form should be completed and include the required authorization signatures as outlined in California Educational Code Section 48933(5)(b). The number of reimbursements should be limited, and checks issued directly to vendors after receiving invoices. All check requests and invoices should be kept on file to support the expenditures made from the account.
10. Receiving documentation must be reviewed, making sure that the address is a district location and that all goods were received. Items should not be delivered to residential addresses. Should items be delivered to a residential address, additional controls must be in place showing that site administration (other than the purchaser) have verified that all items were taken to the site.
11. Independent review of prepared bank reconciliation should always be performed in a timely manner by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. Upon reviewing the reconciliation, the review process should be timely to help identify any errors that may have otherwise gone unidentified.
12. Stale dated checks should be cleared from the bank account to correctly state cash balance after determining that the likelihood of them being cashed after a certain amount of time is negligible.
13. Review of and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.
14. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.
15. The sales report should be carefully reviewed before it is forwarded to the bookkeeper. The mathematical accuracy of the sales recap should be double checked, and the cash shortage and overage should be clearly documented. Should the cash variance be large, an explanation should be stated on the form.

16. According to the policies and procedures outlined in the “Accounting Procedures for Student Body Organizations”, prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.
17. Daily overages in the register usually mean that merchandise was sold and not rung up on the register. To enhance the accountability and accounting of the student store activity, the importance of ringing all merchandise sales up should be emphasized to all who work the register. Daily cash shortages can be attributable to incorrect change being handed out, misplaced funds, or theft. If differences are of a substantial amount, an investigation should be conducted to try and pinpoint the reason.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
February 19, 2021