SIERRA JOINT COMMUNITY COLLEGE DISTRICT
Rocklin, California

SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE G GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2013
The Board of Trustees of the Sierra Joint Community College District acting as the Governing Board of the School Facilities Improvement District No. 2 (Western Nevada County Campus Area) of the Sierra Joint Community College District established the Citizens' Bond Oversight Committee. The Committee shall perform only the following duties: (1) inform the public concerning the District's expenditure of bond proceeds, (2) review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure G; and (b) no bond proceeds were used for any teacher or administrative salaries or other operating expenses and (3) present to the Board, in public session, an annual written report which shall include the following: a statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and a summary of the Committee's proceedings and activities for the preceding year.

The Citizens' Bond Oversight Committee for Measure G members for the fiscal year ended June 30, 2013 were composed of the following members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Representing</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vickie Downs</td>
<td>Business Organization</td>
<td>April 2014</td>
</tr>
<tr>
<td>Wayne Raley</td>
<td>Senior Citizens Organization</td>
<td>April 2014</td>
</tr>
<tr>
<td>Vacant</td>
<td>Taxpayer Organization</td>
<td>-</td>
</tr>
<tr>
<td>Vacant</td>
<td>Student Organization</td>
<td>-</td>
</tr>
<tr>
<td>Patti Foster</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Williard Drown</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Gil Mathew</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Curtis Williams</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Doug Hastings</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Julia Locatelli</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
<tr>
<td>Jacque Wallach</td>
<td>Public Member</td>
<td>April 2014</td>
</tr>
</tbody>
</table>
CONTENTS

INDEPENDENT AUDITOR’S REPORT ........................................................................................................ 1

FINANCIAL SECTION:

BALANCE SHEET .................................................................................................................................. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE ......................................................... 4

NOTES TO BASIC FINANCIAL STATEMENTS .......................................................................................... 5

OTHER REPORTS:

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 .................................................................................................................. 10
INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Sierra Joint Community College District
Rocklin, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Sierra Joint Community College District (the "District"), Schools Facilities Improvement District No. 2, Measure G General Obligation Bonds (the "Measure G Bonds") activity included in the Capital Projects Fund of the District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District’s Measure G Bonds 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 basic 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 an opinion on these basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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 opinion.

(Continued)
Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Measure G Bonds of the District as of June 30, 2013, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure G Bonds, and do not purport to, and do not, present fairly the financial position of Sierra Joint Community College District as of June 30, 2013, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2013 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the G Bonds. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Measure G Bonds. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sierra Joint Community College District’s internal control over financial reporting and compliance for the Bond Fund.

Crowe Horwath LLP
Sacramento, California
December 19, 2013
# BALANCE SHEET

## ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$1,311,745</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$1,315</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$1,313,060</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND FUND BALANCE

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$71,749</td>
</tr>
<tr>
<td>Restricted fund balance</td>
<td>$1,241,311</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$1,313,600</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE G GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2013

Revenues:
Interest income (Note 2) $ 7,031

Expenditures:
Supplies 7,756
Contract services 79,036
Capital outlay 640,497
Total expenditures 727,289
Deficiency of revenues under expenditures (720,258)

Restricted fund balance, June 30, 2012 1,961,569
Restricted fund balance, June 30, 2013 $ 1,241,311

See accompanying notes to financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sierra Joint Community College District accounts for its Schools Facilities Improvement District No. 2 Capital Projects Fund (the "Bond Fund") financial transactions in accordance with policies and procedures of the Chancellor’s Office’s California Community Colleges Budget and Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity

The financial statements include only the Bond Fund’s Measure G General Obligation Resources of the District. The fund was established to account for expenditures of general obligation bonds issued under the General Obligation Bonds (Election of 2004, Series A and B). The total authorized issuance amount of the bonds is $44,400,000. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The basic financial statements represent the School Facilities Improvement District (SFID) No. 2 Capital Projects Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents

For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Placer County Treasury are considered cash equivalents. The Funds in the Placer County Treasury are recorded at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenditures and change in fund balance.

Restricted Fund Balance

Restricted fund balance includes resources that can be spent only for the specified purposes stipulated by constitution, external resource providers or through enabling legislation. Under the Smaller Classes, Safer School and Financial Accountability Act (Proposition 39), fund balance is restricted for capital projects of the SFID No. 2 Capital Projects Fund.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2013 consisted of the following:

Cash in County Treasury $1,311,745

Credit Risk

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Placer County Treasury. The County Treasurer of Placer County acts as the Measure G General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District’s deposits are maintained in a recognized pooled investment fund under the care of a third party and the District’s share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2013, the Placer County Treasurer has represented that the Treasurer’s pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage Allowed</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placer County Investment Pool</td>
<td>Five years</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the maximum average maturity of the investments contained in the County investment pool is five years.

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

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Weighted Average Maturity (in Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placer County Investment Pool</td>
<td>4.70</td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

NOTE 3 – GENERAL OBLIGATION BONDS

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

The Sierra Joint Community College District, Rocklin, California Election of 2004 General Obligation Bonds, Measure G were authorized at an election of the registered voters of the Sierra Joint Community College District School Facilities Improvement District No. 2 held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $44,400,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the construction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities. The Bonds are general obligations of the District, payable solely from ad valorem property taxes. The summary text of the ballot language was as follows:

"To prepare Western Nevada County area students for jobs/four-year colleges, provide for lifelong learning, improve safety, and accommodate increasing enrollment by repairing, acquiring, constructing, equipping buildings, sites, classrooms, labs, and libraries, shall School Facilities Improvement District Number 2 (Western Nevada County Campus Area) of Sierra Joint Community College District issue $44,400,000 in bonds, at legal rates, with no money for administrators’ salaries, and with citizen oversight and guaranteed annual audits?"
NOTE 3 – GENERAL OBLIGATION BONDS (Continued)

The project list was created by the Board of Trustees of Sierra Joint Community College District in conjunction with the District's Facilities Master Plan at its June 22, 2004 meeting. This specific project list is provided below:

- Construct new flexible classroom building.
- Construct Public Safety Training Facility.
- Construct Fine and Performing Arts Center.
- Classroom renovations.
- Computer lab renovations
- Construct Physical and Health Education building.
- Renovate Student Center.
- Renovate and expand Administration and Student Services.
- Renovate and expand Corporation Yard and Physical Plant.
- Campus Wide Upgrades.

Construction of the projects is occurring in two phases. Due to escalation of construction costs, the Board of Trustees amended the project list at a special meeting on February 5, 2008. The renovation and expansion of the Corporation Yard and Physical Plant was deleted from the list of scheduled projects. Additionally, the Administration building will be renovated, but not expanded. Construction of the Physical and Health Education building has been delayed to phase two and the facility has been redesigned as a Gymnasium and separate Wellness Center at a cost that fits the available budget. The Fine and Performing Arts Center has been designed as a multipurpose facility that will accommodate various types of performances, but will also be flexible enough to be used for other purposes as well.

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bonds were authorized at a special election of the registered voters of Improvement District No. 2 within the boundaries of Sierra Joint Community College District held on November 2, 2004, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $44,400,000 principal amount of general obligation bonds of Improvement District No. 2 for improvements to the Western Nevada County Campus Area in Improvement District No. 2. The bonds are included in the audited financial statements of the District.

On April 21, 2005, the District issued $18,000,000 of Measure G, Series A bonds to fund the construction, rehabilitation or replacement of school facilities. The interest rate ranges from 3.20% to 5.00%. The final maturity date of Series A bonds is August 1, 2029.

On June 21, 2007, the District issued Measure G, Series B bonds to fund the construction, rehabilitation or replacement of school facilities. Serial Bonds of $4,260,000 bear interest at rates of 4.00%, maturing August 1, 2012. Interest payments are due semiannually on February 1 and August 1 of each year, commencing February 1, 2008. Capital Appreciation Bonds of $22,136,517 bear interest at rates ranging from 4.15% to 6.32%. Bonds maturing August 1, 2013 to August 1, 2031 are payable only at maturity on August 1 of each year, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1 of each year, commencing June 21, 2007. The Capital Appreciation Bonds mature June 1, 2032 and interest on such Capital Appreciation Bonds is compounded semiannually on June 1 and December 1 of each year commencing June 21, 2007.

(Continued)
NOTE 3 – GENERAL OBLIGATION BONDS (Continued)

During 2013, the Financing Corporation issued $13,555,000 of 2013 General Obligation Refunding Bonds, Series B, with an effective interest rate of 2.40%. Proceeds were used to advance refund a portion of the outstanding SFID No. 2, Election of 2004 General Obligation Bonds, Series A and to pay the costs of issuing the Series B Refunding Bonds. The Series B Refunding Bonds are general obligations of the District payable solely from *ad valorem* taxes within the Sierra Joint Community College District School Facilities Improvement District No. 2. On June 30, 2013, $14,625,000 of bonds outstanding are considered defeased.

*Calculation of Difference in Cash Flow Requirements and Economic Gain*

**Cash Flow Difference**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old debt service cash flows</td>
<td>$23,260,831</td>
</tr>
<tr>
<td>New debt service cash flows</td>
<td>$20,518,882</td>
</tr>
</tbody>
</table>

**Economic Gain**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Gain</td>
<td>$2,741,949</td>
</tr>
</tbody>
</table>

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid is $2,179,076.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The Bonds represent an obligation of the District payable solely from *ad valorem* property taxes levied and collected by the County of Nevada on properties within Improvement District No. 2. The Board of Supervisors of Nevada County has power and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the Improvement District No. 2 without limitation of rate or amount, except as to certain personal property which is taxable at limited rates.
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 Nevada County Campus Citizens’ Bond Oversight Committee for Measure G, Series A and B and the Board of Trustees
Sierra Joint Community College District
Rocklin, California

We have audited the basic financial statements of Sierra Joint Community College District (the "District") Schools Facilities Improvement District No. 2, Measure G General Obligation Bonds (the "Measure G Bonds"), as of June 30, 2013, and have issued our report thereon dated December 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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 for the Measure G Bonds. 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 for the Measure G Bonds. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Sacramento, California
December 19, 2013