SIERRA JOINT COMMUNITY COLLEGE DISTRICT
Rocklin, California

SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE G GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2014
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, 2014 were composed of the following members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Representing</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vicki Downs</td>
<td>Business Organization</td>
<td>April 2015</td>
</tr>
<tr>
<td>Wayne Raley</td>
<td>Senior Citizens Organization</td>
<td>April 2015</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 2015</td>
</tr>
<tr>
<td>Willard Drown</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
<tr>
<td>Gil Mathew</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
<tr>
<td>Curtis Williams</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
<tr>
<td>Doug Hastings</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
<tr>
<td>Julia Locatelli</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
<tr>
<td>Jacquie Wallach</td>
<td>Public Member</td>
<td>April 2015</td>
</tr>
</tbody>
</table>
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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra Joint Community College District (the "District"), Schools Facilities Improvement District No. 2, Measure G General Obligation Bonds activity included in the SFID #2 Construction Fund of the District (the "Bond Fund") as of and for the year ended June 30, 2014, and the related notes to the 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 an opinion 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statements referred to above present fairly, in all material respects, the financial position of the Bond Fund of the District as of June 30, 2014, and the changes in its financial position for the year then ended, in accordance 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 District’s Bond Fund, and do not purport to, and do not, present fairly the financial position of Sierra Joint Community College District as of June 30, 2014, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Sierra Joint Community College District (the "District"), Schools Facilities Improvement District No. 2, Measure G General Obligation Bond Fund financial statements as a whole. The schedule of Citizen’s Bond Oversight Committee Members is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2015 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 Bond Fund. 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 Bond Fund. 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
January 20, 2015
<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$ 348,440</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>342</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 348,782</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 40,355</td>
</tr>
<tr>
<td>Restricted fund balance</td>
<td>308,427</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$ 348,782</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, 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income (Note 2)</td>
<td>$20,494</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>8,649</td>
</tr>
<tr>
<td>Supplies</td>
<td>11,957</td>
</tr>
<tr>
<td>Contract services</td>
<td>19,468</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>913,304</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>953,378</td>
</tr>
<tr>
<td><strong>Change in fund balance</strong></td>
<td>(932,884)</td>
</tr>
<tr>
<td><strong>Restricted fund balance, July 1, 2013</strong></td>
<td>1,241,311</td>
</tr>
<tr>
<td><strong>Restricted fund balance, June 30, 2014</strong></td>
<td>$308,427</td>
</tr>
</tbody>
</table>

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 Bond Fund 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 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 and Refunding Bonds). 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 financial statements represent the School Facilities Improvement District (SFID) No. 2 Construction 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.

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.

(Continued)
NOTE 2 – CASH AND INVESTMENTS

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

Cash in County Treasury $ 348,440

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund 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 Bond Fund’s deposits are maintained in a recognized pooled investment fund under the care of a third party and the Bond Fund's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the Bond Fund, 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, 2014, 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>

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.

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>Maturity (in Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placer County Investment Pool</td>
<td>4.47</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, 2014, 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?"

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.

When the project design was completed in 2007 and the construction cost was calculated, the estimated cost exceeded the District's construction budget and the Board of Trustees amended the scope of work at a special meeting on February 5, 2008. The amended project scope excluded the renovation and expansion of the Corporation Yard and Physical Plant, and the expansion of the Administration building. The Trustees also directed the College staff to move forward with construction of a new classroom building and the two new art buildings, but to re-work the project scope to stay within budget and complete as much of the original scope as possible. The second phase of the project was then re-designed to include the construction of a Gymnasium and a separate Wellness Center in place of the Physical and Health Education building, and the construction of a Multipurpose Facility in place of the Fine and Performing Arts Center. The Multipurpose Facility was designed and built to not only accommodate various types of performances, but is also flexible enough to be used for other (instructional and community) purposes as well.
NOTE 3 – GENERAL OBLIGATION BONDS (Continued)

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. 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 bonds were partially refunded and the remaining bonds mature through 2015 and bear interest at rates ranging from 3.20% to 5.00%.

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 bore interest at rates of 4.00% and matured August 1, 2012. 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. Final capital appreciation bonds mature June 1, 2032 and are payable only at maturity. Interest on such capital appreciation bonds is compounded semiannually each year.

During the year ended June 30, 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. On June 30, 2014, $14,625,000 of bonds outstanding are considered defeased.

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.

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, the District had approximately $52,000 in outstanding commitments on 2004 General Obligation Bond construction contracts.
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, 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 Sierra Joint Community College District (the "District") Schools Facilities Improvement District No. 2, Measure G General Obligation Bonds (the "Bond Fund"), as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated January 20, 2015.

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 Bond Fund financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting for the Bond Fund.

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 Bond Fund financial statements are free of material misstatement, we performed tests of the Bond Fund’s 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 Bond Fund. 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 Bond Fund. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Sacramento, California
January 20, 2015