SIERRA JOINT COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

AND

INDEPENDENT AUDITORS' REPORT
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, 2011 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 2013</td>
</tr>
<tr>
<td>Wayne Raley</td>
<td>Senior Citizens Organization</td>
<td>April 2013</td>
</tr>
<tr>
<td>Vacant</td>
<td>Taxpayer Organization</td>
<td>-</td>
</tr>
<tr>
<td>Patti Foster</td>
<td>Foundation/Support</td>
<td>April 2013</td>
</tr>
<tr>
<td>Vacant</td>
<td>Student Organization</td>
<td>-</td>
</tr>
<tr>
<td>Williard Drown</td>
<td>Public Member</td>
<td>April 2012</td>
</tr>
<tr>
<td>Martin Light (Chair)</td>
<td>Public Member</td>
<td>April 2011</td>
</tr>
<tr>
<td>Gil Mathew</td>
<td>Public Member</td>
<td>April 2012</td>
</tr>
<tr>
<td>Curtis Williams</td>
<td>Public Member</td>
<td>April 2013</td>
</tr>
<tr>
<td>Doug Hastings</td>
<td>Public Member</td>
<td>April 2013</td>
</tr>
<tr>
<td>Julia Locatelli</td>
<td>Public Member</td>
<td>April 2013</td>
</tr>
<tr>
<td>Jacquie Wallach</td>
<td>Public Member</td>
<td>April 2012</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors' Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Financial Section:</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures and Change in Fund Balance</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Basic Financial Statements</td>
<td>5-9</td>
</tr>
<tr>
<td>Supplementary Information Section:</td>
<td></td>
</tr>
<tr>
<td>Bond Program – Purpose of Bond Issuance</td>
<td>10-11</td>
</tr>
<tr>
<td>Other Reports:</td>
<td></td>
</tr>
<tr>
<td>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>12-13</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' 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

We have audited the accompanying basic financial statements of Sierra Joint Community College District (the "District") Measure G General Obligation Bonds activity included in the Schools Facilities Improvement District No. 2 Capital Projects Fund of the District (the "Bonds"), as of and for the year ended June 30, 2011, as listed in the Table of Contents. These basic financial statements are the responsibility of Sierra Joint Community College District's management. 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 of the Bonds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Measure G General Obligation Bonds of the District as of June 30, 2011, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2011 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and other matters, as they relate to the Bond's basic financial statements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.
INDEPENDENT AUDITORS' REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Sierra Joint Community College District Measure G General Obligation Bonds. The summary on pages 10 and 11 of this report and the Citizen's Bond Oversight Committee Members are presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Penny Smith LCP

Sacramento, California
October 31, 2011
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BONDS

BALANCE SHEET
June 30, 2011

ASSETS
Cash and cash equivalents (Note 2) $ 3,070,713
Prepaid expenses 20,310
Accounts receivable 4,271

Total assets $ 3,095,294

LIABILITIES AND FUND BALANCE

Liabilities:
Accounts payable $ 202,132
Restricted fund balance 2,893,162

Total liabilities and fund balance $ 3,095,294

The accompanying notes are an integral part of these financial statements.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BONDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

For the Year Ended June 30, 2011

Revenues:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income (Note 2)</td>
<td>$35,774</td>
</tr>
</tbody>
</table>

Expenditures:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>6,157</td>
</tr>
<tr>
<td>Supplies</td>
<td>248,265</td>
</tr>
<tr>
<td>Contract services</td>
<td>99,454</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>6,881,403</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>7,235,279</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency of revenues under expenditures</td>
<td>(7,199,505)</td>
</tr>
</tbody>
</table>

Restricted fund balance, June 30, 2010 | $10,092,667 |

Restricted fund balance, June 30, 2011 | $2,893,162 |

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sierra Joint Community College District accounts for its 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:

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.
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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of the following:

Pooled Funds:
Cash in County Treasury $ 3,070,695

Deposits:
Cash on hand and in banks 18

Total cash and investments $ 3,070,713

Custodial Credit Risk

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2011, the carrying amount of the District's cash on hand and in banks was $18 and the bank balance was $18, which was insured by the FDIC.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BONDS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

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, 2011, 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. As of year end, the maximum average maturity of the investments contained in the County investment pool is five years.
2. **CASH AND INVESTMENTS** (Continued)

**Disclosures Relating to Interest Rate Risk** (Continued)

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

<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>4.11</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, 2011, the District had no concentration of credit risk.

3. **GENERAL OBLIGATION BOND ISSUES**

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.
3. GENERAL OBLIGATION BOND ISSUES (Continued)

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.
SUPPLEMENTARY INFORMATION
SIERRA JOINT COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BONDS

PURPOSE OF BOND ISSUANCE

LEGISLATIVE HISTORY

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.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BONDS, MEASURE G

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.
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.

FURTHER SPECIFICATIONS

No Administrator Salaries

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.
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

We have audited the basic financial statements of the Sierra Joint Community College District (the "District") Measure G General Obligation Bonds (the "Bonds"), as of June 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have a direct and material effect on the determination of amounts shown on the basic 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.
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

(Continued)

This report is intended solely for the information of the Citizens' Bond Oversight Committee for Measure G, the Board of Trustees and District management, and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California
October 31, 2011