

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2019

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

MEASURE E GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS

June 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	4
NOTES TO 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	8

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra Joint Community College District (the "District") Measure E Bond Fund (the "Bond Fund") as of and for the year ended June 30, 2019, 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.

Auditors' 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. 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 auditors' 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 Sierra Joint Community College District as of June 30, 2019, 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 the Sierra Joint Community College District as of June 30, 2019, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, 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 the 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 the Sierra Joint Community College District's internal control over financial reporting and compliance for the Bond Fund.

Crowe LLP

Crowe LLP

Sacramento, California
November 26, 2019

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 76,060,572
Receivables	<u>128,447</u>
Total assets	<u><u>76,189,019</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,234,300
Restricted fund balance	<u>74,954,719</u>
Total liabilities and fund balance	<u><u>\$ 76,189,019</u></u>

See accompanying notes to financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2019

Revenues:	
Interest income	\$ <u>513,647</u>
Expenditures:	
Salaries	36,814
Benefits	17,384
Contract services – issuance cost	275,000
Capital outlay	<u>5,229,730</u>
Total expenditures	<u>5,558,928</u>
Deficiency of revenues over expenditures	(5,045,281)
Other financing sources	
Proceeds from the issuance of general obligation bonds	<u>80,000,000</u>
Change in fund balance	<u>74,954,719</u>
Restricted fund balance, July 1, 2018	<u>-</u>
Restricted fund balance, June 30, 2019	<u>\$ 74,954,719</u>

See accompanying notes to financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sierra Joint Community College District (the "District") accounts for its Measure E Bond Capital Projects Fund's ("Bond Fund") financial transactions in accordance with policies and procedures of the State 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 the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2018. The total authorized issuance amount of the bonds is \$350,000,000. Series A of the bonds were sold in March 2019 for \$80,000,000. 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 Bond 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.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Fund in accordance with the Bond Project List for Measure E General Obligation Bonds.

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. These estimates and assumptions 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.

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2019

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2019:

County treasurer's investment pool \$ 76,060,572

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 E 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 cost which approximates 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 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, 2019, 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

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.

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 3 – PURPOSE OF BOND ISSUANCE

Bond Authorization: The Sierra Joint Community College District, Placer County, California Election of 2018 General Obligation Bonds, Measure E were authorized at an election of the registered voters of the Sierra Joint Community College District held on June 5, 2018 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$350,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to bring older buildings to code/standards for continued use, improve workforce job training facilities to affordably prepare, train/retrain students/veterans for quality jobs, repair, construct, acquire classrooms, facilities, equipment. The Bonds are general obligations of the District, payable solely from ad valorem property taxes.

Purpose of Bonds:

The proceeds of the Bond may be used:

"To bring older buildings to code/standards for continued use, improve workforce job training facilities to affordably prepare, train/retrain students/veterans for quality jobs, repair, construct, acquire classrooms, facilities, equipment, shall the measure for Sierra Joint Community College District to issue \$350,000,000 in bonds at legal rates and levy on average 1.7 cents/\$100 assessed value (\$18,000,000 annually) while bonds are outstanding be adopted, with taxpayer oversight/audits, no money for administrator salaries/pensions, all funds used locally?."

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Board of Supervisors of Placer County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within the county subject to taxation by the District for the payment of principal of and interest on the Bonds when due. The bonds are included in the audited financial statements of the District.

On March 6, 2019, Series 2018A in the amount of \$80,000,000 were issued. The current interest bonds bear interest at 4.00% and mature through August 1, 2053. Interest payments are due semiannually on February 1 and August 1 of each year.

NOTE 5 – CONSTRUCTION PROJECT COMMITMENTS

As of June 30, 2019, the District has approximately \$42,493,338 million in outstanding commitments on 2018 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 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 (the "District") Measure E Bond Fund (the "Bond Fund") as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated November 26, 2019. The financial statements present only the District's Bond Fund and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2019 and the changes in the financial position for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over Bond Fund 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 on 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 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.

(Continued)

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 LLP

Crowe LLP

Sacramento, California
November 26, 2019