

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2023

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Measure E General Obligation Bonds (the "Bonds") activity of Sierra Joint Community College District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Measure E General Obligation Bonds activity, of Sierra Joint Community College District, as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sierra Joint Community College District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of the Measure E General Obligation Bonds activity and do not purport to, and do not, present fairly the financial position of Sierra Joint Community College District, as of June 30, 2023, or 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sierra Joint Community College District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023 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 Bonds activity. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance for the Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Bonds activity.



Crowe LLP

Sacramento, California
December 4, 2023

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 96,984,938
Receivables	<u>88,010</u>
Total assets	<u>\$ 97,072,948</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 2,056,937
Fund balance:	
Restricted – capital projects	<u>95,016,011</u>
Total liabilities and fund balance	<u>\$ 97,072,948</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, 2023

Revenues:	
Interest income	<u>\$ 878,508</u>
Expenditures:	
Salaries	213,491
Benefits	105,213
Other operating expenses and services	17,533
Capital outlay	<u>39,723,437</u>
Total expenditures	<u>40,059,674</u>
Deficiency of revenues under expenditures	(39,181,166)
Other financing sources:	
Proceeds from the issuance of general obligation bonds	<u>62,524,500</u>
Change in fund balance	23,343,334
Fund balance, July 1, 2022	<u>71,672,677</u>
Fund balance, June 30, 2023	<u>\$ 95,016,011</u>

See accompanying notes to financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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. 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.

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SIERRA JOINT COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2023:

County treasurer's investment pool \$ 96,984,938

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, 2023, 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, 2023, the District had no concentration of credit risk.

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SIERRA JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 General Obligation Bonds 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.

On February 18, 2021, Series 2018B General Obligation Bonds in the amount of \$97,000,000 were issued. The current interest bonds bear interest at rates ranging from 2.00% to 4.00% and mature through August 1, 2041. Interest payments are due semiannually on February 1 and August 1 of each year.

On June 8, 2023, Series 2018C General Obligation Bonds in the amount of \$63,000,000 were issued. The current interest bonds bear interest at 5.00% 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, 2023, the District has approximately \$59,829,000 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure E General Obligation Bonds (the "Bonds") activity of Sierra Joint Community College District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's Measure E General Obligation Bonds activity financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sierra Joint Community College District's internal control over Measure E General Obligation Bonds activity financial reporting (internal control) as a basis for designing 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 Sierra Joint Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sierra Joint Community College District's internal control.

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, professional style.

Crowe LLP

Sacramento, California
December 4, 2023