SIERRA JOINT COMMUNITY COLLEGE DISTRICT

COUNTY OF PLACER

ROCKLIN, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2010

The District is comprised of areas in Placer, Nevada, El Dorado and Sacramento Counties. The District operates a central campus located on a 299-acre site in the city of Rocklin, in southwestern Placer County, California, and two small satellite campuses located in Grass Valley and Truckee in Nevada County. Classes are also taught at Roseville and other sites throughout the 3,200-square-mile territory of the District. The District currently serves approximately 22,000 students who are enrolled in both day and evening classes, has a full time faculty of approximately 213, and a part time faculty of approximately 773. Many areas of study are offered as well as vocational and technical education and many courses of instruction are transferable to accredited four-year colleges and universities.

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel.

The Board of Trustees and District Administration for the fiscal year ended June 30, 2010, were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Ms. Barbara Vineyard	President	December 2010
Mr. Aaron Klein	Vice President/Clerk	December 2012
Mr. Scott Tim Leslie	Trustee	December 2012
Ms. Elaine Rowen Reynoso	Trustee	December 2012
Ms. Nancy Palmer	Trustee	December 2010
Mr. Bill Martin	Trustee	December 2010
Mr. David Ferrari	Trustee	December 2010

DISTRICT ADMINISTRATION

Dr. Leo E. Chavez
Superintendent/President

Mr. Doug Smith
Vice President of Finance and Administration

Ms. Kerri Hester
Director of Finance

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2010

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Perry-Smith LLP
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Sacramento, CA 95814
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sierra Joint Community College District
Rocklin, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Sierra Joint Community College District (the "District") as of and for the year ended June 30, 2010, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the net assets of the business-type activities, the discretely presented component unit, and fiduciary net assets of Sierra Joint Community College District as of June 30, 2010, and the results of its operations, changes in its net assets and its cash flows 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 a report dated November 9, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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. 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.

Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, are not required parts of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
November 9, 2010

Sierra Joint Community College District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2010

This management's discussion and analysis of Sierra Joint Community College District's financial statements provides an overview of the District's financial activities for the year ended June 30, 2010. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. These financial statements and this discussion and analysis reflect the financial activities of the Sierra Joint Community College District and its component units, the Sierra Community College Finance Corporation and the Sierra College Foundation. In accordance with Governmental Accounting Standards Board (GASB) Cod. Sec. 2100.101, as amended by GASB Cod. Sec. 2100.138, the financial data of the Corporation and the Foundation has been included in these financial statements.

Overview of the Financials

Financial statements communicate the financial condition and operational results of Sierra Joint Community College District. Our statements are presented using the terminology and classifications of activity that conform to the Governmental Accounting Standards Board's Statements of Financial Accounting.

Financial Statements

The three basic financial statements included in this report are: the Statement of Net Assets; the Statement of Revenues, Expenses, and Change in Net Assets; and the Statement of Cash Flows.

- Statement of Net Assets. This report presents the financial position as of the end of the fiscal year (June 30th) including assets, liabilities, and net assets (formerly fund balance). It should help the reader obtain information on the College's ongoing ability to provide services, as well as liquidity, financial flexibility (ability to respond to unexpected needs and opportunities), ability to meet obligations, and needs for external financing.

- Statement of Revenue, Expenses, and Change in Net Assets. This report presents financial activity during the fiscal year, thereby reconciling the beginning and end-of-year net assets contained in the Statement of Net Assets. It provides profit and loss information and helps to distinguish profit and loss from operations and capital activities.

- Statement of Cash Flows. This report presents cash-related activities during the fiscal year, thereby reconciling the beginning and end-of-year cash balances contained in the balance sheet. Like those required of for-profit entities, this statement segregates the activities of the organization into three categories: cash flows from operations, investing, and financing activities. This statement provides data that supplements information contained in the statement of activities (e.g., it adjusts for the effects of accrual accounting, removes certain non-cash activities such as depreciation, and discloses cash generated or used by operating activities, investments, and financing).

Financial and Enrollment Highlights

Revenues are recorded in three categories; operating revenues, non-operating revenues and capital revenues. Operating revenues include tuition and fees, grants and contracts, and revenues from auxiliary enterprises. Non-operating revenues are comprised of state apportionment, local property taxes, state taxes, lottery revenue, and investment income. Capital revenues consist of state apportionments and local property taxes for capital outlays. Overall revenues were $117,173,801 ($41,463,948 in operating revenues, $72,663,281 in non-operating revenues, and $3,046,572 in capital revenues). This was $1,025,785 less than revenues for the prior year.

Revenues decreased for the 2009-2010 fiscal year. The District received no COLA from the state. Enrollment growth was negative during the year with a 1.5% decrease in Full Time Equivalent Students (FTES). Apportionment revenue received a deficit from the state of approximately 0.1% or $84,151. Revenues for various categorical programs were reduced by a combined total of $1,585,565.

Expenses are recorded as operating and non-operating expenses. All expenses except some debt related capital expenses are categorized as operating expenses. Operating expenses reflect depreciation and financial aid expenses under this reporting format. Overall expenses were $119,130,921 ($115,153,460 in operating expenses and $3,977,461 in debt related capital expenses). This was $1,089,755 more than expenses for the prior year.

The combining statement of revenues, expenses and change in net assets on pages 60 and 61 reflect the operations of the District. The annual net impact to the operational financial activities of the District was an increase in general fund net assets of $1,436,592 for a total of $15,151,403; $3,135,329 designated for bargaining unit settlements per the compensation formula, $62,642 designated for stores inventory, $25,000 designated for a revolving account and the remainder unrestricted and undesignated. The unrestricted, undesignated general fund net asset reserve at the close of the 09-10 fiscal year is 13.25% of annual expenditures.

The District paid down $2,658,359 in long-term debt.

GASB 45

The District adopted GASB Cod. Sec. P50.108-.109, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2008-2009. GASB Cod. Sec. P50.108-.109 requires employers to recognize postemployment healthcare expense systematically over periods approximating employees' years of service. The District engaged an actuarial service to calculate the liability and accompanying annual required contribution (ARC). The ARC for the District for 2009-2010 is $5.2 million based on a 30 year amortization period. This amount is netted against the pay as you go benefit expenses of $3.2 million, resulting in a $2 million additional expense booked in 09-10 to recognize our annual amortized requirement.

50 Percent Law

The District is required to allocate 50 percent of unrestricted general fund expenses to faculty compensation (50 percent law). The District is in compliance and again has exceeded this requirement. In 2009-2010 the District allocated 50.64% to faculty compensation.

Fiscal Independence

The District attained fiscal independence from Placer County Office of Education in 2008-2009. Only seven of the seventy-two districts in the California Community College System have been granted this status. The application process required an extensive evaluation of our accounting controls to ensure they met the standards required by the Board of Governors. The District passed this evaluation and was granted fiscal independence by the Board of Governors effective July 1, 2009.

Net Assets

Net assets, formerly classified as fund balance, are an indicator of the District's financial position. For the previous five fiscal years, the District's fund balance for the general fund has ranged between 8.5% and 13.5% of operating expenditures. In 2009-2010, the District ended the fiscal year with a decrease in total net assets of $2 million; attributable to a $1 million decrease in overall revenues and a $1 million increase in overall expenses. The District's General Fund activity for the year reflects an increase to net assets of $1.4 million due primarily to reduced expenditures for salaries and supplies. The unrestricted net assets are 12.81% of operating expenses less depreciation.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions.

- Cash and cash equivalents reflects operating cash on hand. Restricted cash and cash equivalents reflects cash held for restricted purposes by legislation, by contract, or by grantor agency. This includes cash for capital outlay projects, debt repayment, and future post employment benefits. Most of the cash and cash equivalents are held at the Placer County Treasurer's office in accordance with Education Code Section 84000. The Placer County Treasury's effective rate of return was 2.32% for the fiscal year ended June 30, 2010. Other cash and cash equivalents are held by bank trustees as reserves for debt instruments. The District has set aside funds in an irrevocable trust to meet its GASB 45 obligation for post employment medical benefits. More information on cash can be found in footnote 2 to the financial statements.

- Receivables include state apportionments, student fees, federal and state grants and contracts, state capital outlay reimbursements, among other various operating receivables.

- Capital assets are those fixed assets for which the acquisition cost exceeds the thresholds set forth in the District's Board Policies regarding depreciable assets. Such assets are then depreciated over their useful lives. The financial statements reflect the cost of capital assets, net of accumulated depreciation.

- Accounts payable consist mainly of amounts owed to suppliers for various operating purchases, to employees for accrued vacation, and to vendors for purchases of capital assets.

- Deferred revenues in the current year are $5.2 million; $2.1 million from Federal, State and local grants and $3.1 million in tuition and fees collected from students for the Fall 2010 semester.

- Long-term debt is discussed in more detail in the “Capital Assets and Long-Term Debt” section below, and is presented in the footnotes to the financial statements. Accreted interest of $3.6 million related to the SFID No. 1 & 2, Series B, Capital Appreciation General Obligation Bonds was accrued at year end.

The breakdown of net assets by category for the District is displayed in the following charts:

	2009-2010	2008-2009	Dollar Change	Percent Change
ASSETS				
Current assets	$ 24,037,890	$ 23,476,615	$ 561,275	2.4%
Non-current assets	168,920,486	173,472,009	(4,551,523)	-2.6%
TOTAL ASSETS	$ 192,958,376	$ 196,948,624	$ (3,990,248)	-2.0%
LIABILITIES				
Current liabilities	$ 15,224,870	$ 15,135,787	$ 89,083	0.6%
Non-current liabilities	92,954,659	95,076,870	(2,122,211)	-2.2%
TOTAL LIABILITIES	108,179,529	110,212,657	(2,033,128)	-1.8%
NET ASSETS				
Unrestricted	14,904,408	10,520,193	4,384,215	41.7%
Invested in Capital Assets, Net of Related Debt	59,758,831	67,900,263	(8,141,432)	-12.0%
Designated for:				
Scholarships and Loans	16,389	14,237	2,152	15.1%
Capital Projects	5,810,585	4,249,900	1,560,685	36.7%
Debt Service	4,288,634	4,051,374	237,260	5.9%
TOTAL NET ASSETS	84,778,847	86,735,967	(1,957,120)	-2.3%
TOTAL LIABILITIES AND NET ASSETS	$ 192,958,376	$ 196,948,624	$ (3,990,248)	-2.0%

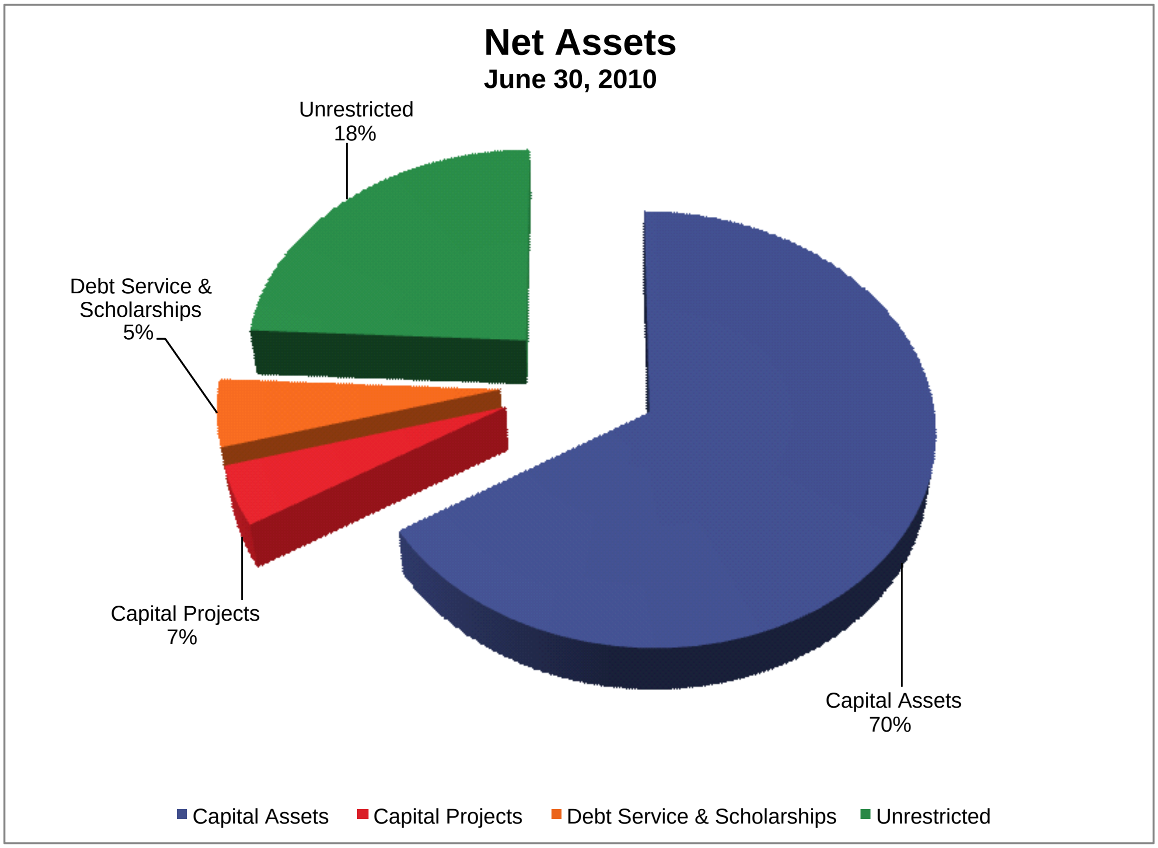
Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District. The Districts net assets consist of the following:

- Unrestricted net assets are funds received to support the general mission of the college. At June 30, 2010 the District has $14.9 million in unrestricted net assets.

- Capital assets, net of related debt, represent the District’s investment in physical facilities, land, and capital improvements. The District had $59.8 million in capital net assets at June 30, 2010.

- Net assets set aside for capital projects is $5.8 million at June 30, 2010.

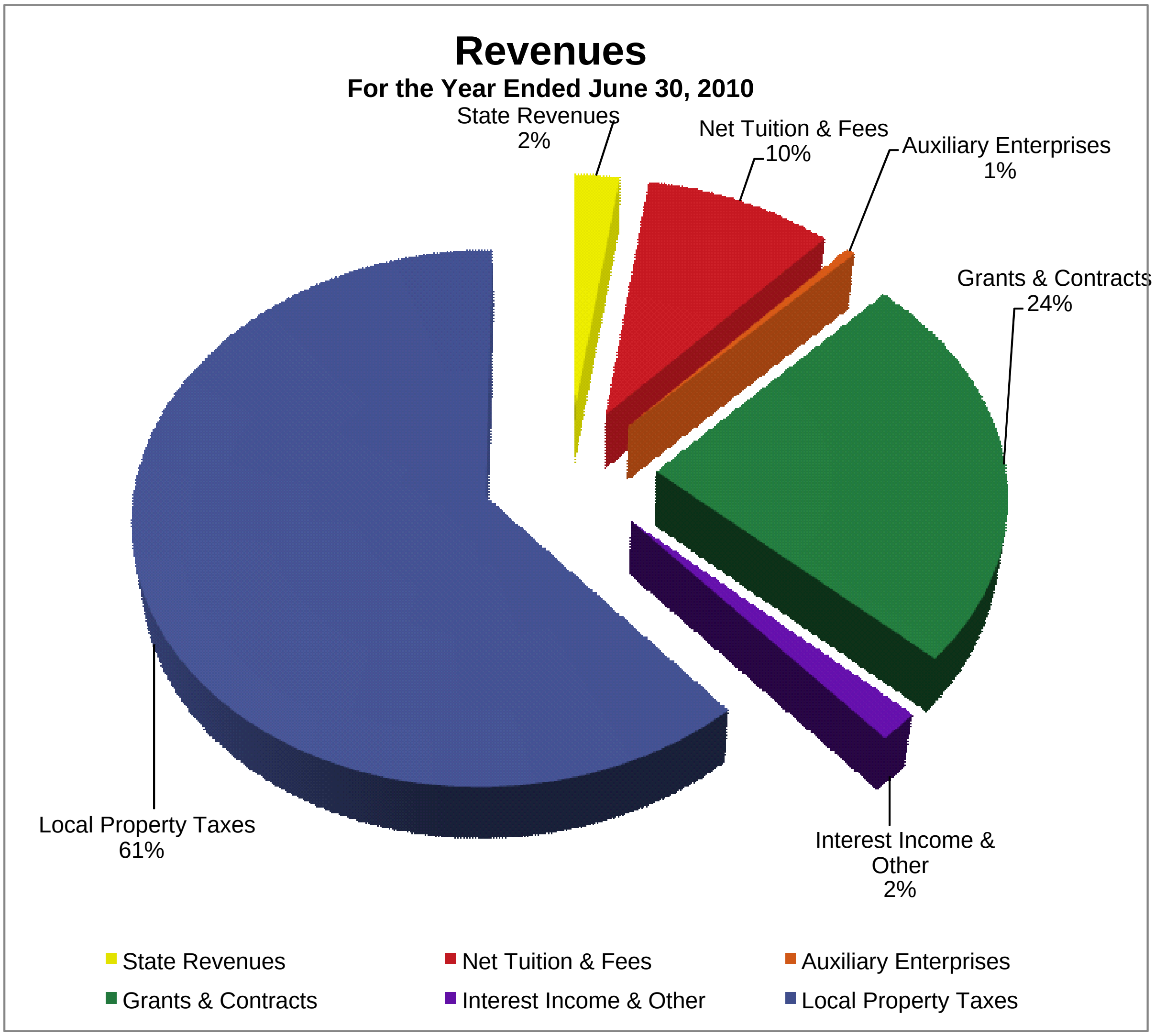
- The District holds funds for scholarship, loans, and debt service reserves as required by various federal and state regulations. Net assets held for these purposes totaled $4.3 million at June 30, 2010.


Net Assets
June 30, 2010
Unrestricted
18%
Debt Service &
Scholarships
5%
Capital Projects
7%
Capital Assets
70%
Capital Assets
Capital Projects
Debt Service & Scholarships
Unrestricted

Statement of Revenues, Expenses, and Change in Net Assets

The Statement of Revenues, Expenses, and Change in Net Assets presents the operating results of the District, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to Generally Accepted Accounting Principles (GAAP). The breakdown of revenues and expenses by category are depicted in the following charts:

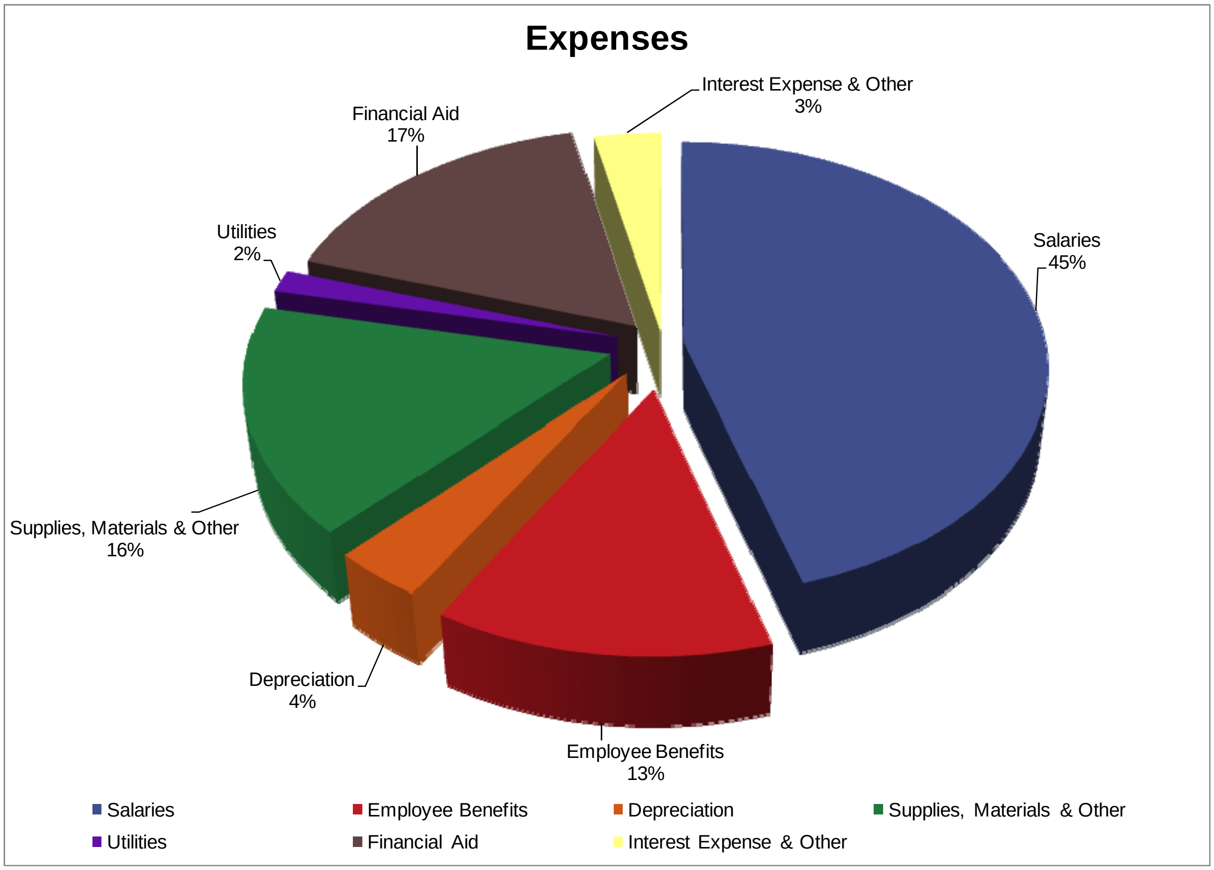
	2009-2010	2008-2009	Dollar Change	Percent Change
OPERATING REVENUES				
Net Tuition & Fees	$ 11,262,148	$ 11,026,000	$ 236,148	2.1%
Grants & Contracts	28,587,269	25,020,082	3,567,187	14.3%
Auxiliary	566,375	396,701	169,674	42.8%
Interest	1,048,156	1,951,245	(903,089)	-46.3%
TOTAL OPERATING REVENUES	41,463,948	38,394,028	3,069,920	8.0%
OPERATING EXPENSES				
Salaries	54,070,386	55,878,704	(1,808,318)	-3.2%
Employee Benefits	15,718,012	15,524,824	193,188	1.2%
Supplies, Material & Other	19,297,594	19,935,933	(638,339)	-3.2%
Student Aid	19,873,747	14,688,478	5,185,269	35.3%
Utilities	1,894,468	2,338,832	(444,364)	-19.0%
Depreciation	4,299,253	4,696,166	(396,913)	-8.5%
TOTAL OPERATING EXPENSES	115,153,460	113,062,937	2,090,523	1.8%
NON-OPERATING ACTIVITY				
State Revenues	2,674,766	2,591,022	83,744	3.2%
Local Property Taxes & Apportionments	72,002,269	75,800,599	(3,798,330)	-5.0%
Interest Income	391,918	742,977	(351,059)	-47.3%
Interest Expense	(3,977,461)	(4,978,235)	1,000,774	-20.1%
Other Non-Operating Revenue	640,900	670,963	(30,063)	-4.5%
TOTAL NON-OPERATING ACTIVITY	71,732,392	74,827,326	(3,094,934)	-4.1%
(DECREASE) INCREASE IN NET ASSETS	(1,957,120)	158,417	(2,115,537)	-1335.4%
BEGINNING NET ASSETS	86,735,967	86,577,550	158,417	0.2%
ENDING NET ASSETS	$ 84,778,847	$ 86,735,967	$ (1,957,120)	-2.3%



Revenues changed in fiscal year 2009-2010 as follows:

- Property tax revenue and State general apportionments received declined by 5%. Enrollment fees received, decreased due to the 1.5% decrease in Full-time Equivalent Students (FTES).

- The District's apportionment included 0% for COLA, a 4.35% growth cap and was subject to a .1% deficit this fiscal year.



Operating expenses also increased overall in 2009-2010 as follows:

- Due to more students qualifying for Financial Aid, expenses increased by $5.2 million.

- Expenses for employee salaries and statutory benefits were increased for step, column and longevity, but attrition, reductions in overtime and reduced use of temporary and student employees decreased salary costs while benefit costs held steady. The combined reduction was $1.6 million.

Statement of Cash Flows

The Statement of Cash Flows presents changes in cash from the sources and uses of funds related to operating activities, capital asset acquisitions, and activity from debt instruments.

The District participates in a Tax Revenue Anticipation Notes (TRAN) program each year provided through Community College League of California (CCLC). This program provides access to a short-term loan funds to assist with cash flow needs during the year. The District's apportionment funding is primarily through property taxes which are paid twice a year in December and April.

Capital Assets and Long-Term Debt

The District had $11 million in capital asset additions and construction in progress for fiscal year 2009-2010. In accordance with GAAP, the District recorded $4.3 million in depreciation for the fiscal year.

At year-end, the District had $101 million in General Obligation Bonds, Certificates of Participation (COPs) and other long-term debt outstanding. The District continued to pay down its debt, retiring $2.7 million of the COPs, capital leases, and bonds.

In accordance with GAAP, the District reflected a liability for compensated absences (accrued vacation not used at June 30, 2010) of $992,889.

The District continues to hold an A+ rating from Standard and Poor's based on the District's fiscal stability, and overall creditworthiness. The rating was issued pursuant to putting Special Facility Improvement District bond issues on the ballots in the Truckee and Grass Valley areas to finance facility additions and improvements on the Grass Valley and Truckee campuses.

For additional information concerning Capital Assets and Long-Term Debt, see Notes 5, 7, and 8 in the footnotes to the financial statements.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, donors and employees. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Asset and Changes in Fiduciary Net Assets. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary funds include all Associated Students Funds. An irrevocable trust was established in 2008 to meet the GASB 45 obligation for post employment medical benefits. Funds set aside for this purpose are held in a managed investment account with Benefit Trust Company. For additional information, see the Fiduciary Financial Statements.

Economic Factors That Will Affect the Future

The economic position of the District is closely tied to that of the State of California. Due to continued state funding uncertainties, the District continues to monitor changes in revenues and respond with appropriate actions to preserve a fund balance that targets the reserve criteria set forth in the Board Policy. Examples of these uncertainties include annual deficit factors, legislative enrollment fee increases on short notice, and mid year cuts in apportionment funding. The District receives a significant portion of its funding through property taxes and the difficulties and foreclosures in the housing market make these revenues less predictable. Sierra College must remain responsive to local variables and financial pressures with sound fiscal practices and a collaborative governance approach to the budget process.

2010-2011 Fiscal Year

The 2010-2011 fiscal year budget is significantly impacted by the weak economy and the State of California's serious budget crisis. The Board of Trustees adopted a balanced budget in September 2010. We anticipate several budget revisions during the fiscal year as the State's budget becomes clearer. The current general fund-operating budget approved by the Board of Trustees projects revenues at $91,800,000 and expenses at $90,200,000 with a $600,000 surplus addition for this fiscal year.

From the State perspective, the California Legislative Analyst's Office (LAO) released the *Fiscal Outlook* 2010-2011 fiscal year which projects a decline in statewide property tax revenue of $1.1 billion. As a result, the District may receive further deficits to apportionment.

Revenues for the 2010-2011 fiscal year are projected to be down 1.4% percent from 2009-2010 budget. This is primarily due to an anticipated apportionment deficit of 1%, significantly reduced American Recovery and Reinvestment Act stimulus funds and 17% reductions in categorical programs. For the entire fiscal year 2010-11 the District is due to receive $8 million in State General Apportionment and $3 million in Categorical funding. As of mid-October 2010, $3 million in State General Apportionment and $1.1 million in Categorical funding should have been received, but the State has yet to make any payments. Deferred apportionment from 2009-2010 in the amount of $1.6 million was received in July 2010. The District continues to rely on TRAN funds and will request "dry period financing" through the Placer County Treasury to provide cash for operations until the State begins to disburse funds.

The District budgeted 2.21% enrollment growth for 2010-2011 and zero COLA based on state budget assumptions. Based on budget projections at the time of budget adoption, management anticipates net assets to decrease to 12.6% of operating expenses.

The District and bargaining units maintain a compensation formula that provides a consistent framework for compensation. The formula utilizes a prescribed computation for determining compensation each year. The compensation formula is defined primarily by the state apportionment revenue. The District and bargaining units agreed on compensation reductions through the use of furlough days, reduced contract days, workforce reduction and the elimination of suspended positions to be effective July 1, 2010. Estimated total annual savings for 2010-2011 are approximately $2.6 million.

Sierra College was placed on warning in January 2008 by the Accrediting Commission for Community and Junior Colleges (ACCJC), following submittal of the college's self study report and completion a Follow-up Report (submitted October 15, 2008). The warning indicated the District's need for Strategic Planning, linking resource allocation to priorities and program review. The District underwent a comprehensive program review in Spring 2009 in which all departments submitted program review reports that were analyzed by a shared governance committee. A follow-up visit of the accrediting team was conducted October 16, 2009, which resulted in an evaluation report. The Commission accepted the report, removed the warning status, and reaffirmed accreditation.

Beyond Fiscal Year 2010-2011

The outlook beyond 2010-2011 is grim. The state economic outlook impacts the District's economic position. The Legislative Analyst's Office (LAO) released the *Fiscal Outlook*, its annual report containing a five-year forecast of the state's financial condition. Each year, the report is viewed as the first credible update on the state's fiscal status following enactment of the State Budget. As such, the *Fiscal Outlook* begins to set the expectations that frame the upcoming budget process. The report's central message is that California remains in the throes of a serious budget crisis due to a $19 billion deficit. This shortfall is largely due to the inability of state leaders to make the realistic and lasting changes necessary to bring state spending and revenues into alignment. The ongoing downturn in the housing market significantly affects the property taxes values and taxes collected. The reduced property tax revenues push basic aid status further into the future for the District and we continue to receive state apportionment.

The District is faced with many funding challenges as we strive to serve a growing population in four counties with aging facilities. While we have been successful with bond measures in the Grass Valley and Tahoe Truckee region, we have yet to secure adequate funding to meet State capital building bond match requirements and local dollars to repair and renovate the Rocklin Campus constructed in 1960. The region that the College serves has had significant population growth over the last decade. As a result, the student population has grown from approximately 11,000 to 20,000. This growth has put pressure on the College to expand and upgrade its facilities and add staff. We continue to evaluate ways to most effectively allocate our resources to meet these needs.

While there have been changes in the economic environment in which all institutions of higher education operate in the State of California, responsible fiscal management (as exhibited by our Standard and Poor's A+ rating) has placed us in a sound financial position from which we can effectively respond to the challenges of the future. The Sierra Joint Community College District will continue to identify fiscally responsible ways to serve our student body and communities with quality educational programs. Under the leadership of our Board of Trustees and Superintendent/President, Dr. Leo E. Chavez, we will continue to move forward with implementing the goals, priorities, and tasks outlined in the District's Strategic Plan.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	18,705,010
Accounts receivable, net (Note 3)		4,204,818
Note receivable (Note 4)		660,000
Inventory		62,642
Prepaid expenses		405,420
Total current assets		24,037,890
Noncurrent assets:		
Restricted cash, cash equivalents and investments (Note 2)		24,473,354
Capitalized debt issuance costs, net (Note 8)		1,436,207
Capital assets, net (Note 5)		143,010,925
Total noncurrent assets		168,920,486
Total assets	$	192,958,376
LIABILITIES		
Current liabilities:		
Accounts payable	$	4,370,970
Deferred revenue (Note 6)		5,238,775
Accrued payroll		917,317
Compensated absences payable (Note 8)		992,889
Capitalized leases - current portion (Note 8)		42,983
Long-term debt - current portion (Note 8)		2,782,808
Accrued interest on debt		879,128
Total current liabilities		15,224,870
Noncurrent liabilities:		
Capitalized leases - noncurrent portion (Note 8)		37,454
Accreted interest on bonds (Note 8)		3,573,953
Long-term debt - noncurrent portion (Note 8)		89,343,252
Total noncurrent liabilities		92,954,659
Total liabilities		108,179,529
Commitments and contingencies (Notes 7, 12 and 17)		
NET ASSETS		
Invested in capital assets, net of related debt		59,758,831
Restricted for:		
Scholarships and loans		16,389
Capital projects		5,810,585
Debt services		4,288,634
Unrestricted		14,904,408
Total net assets		84,778,847
Total liabilities and net assets	$	192,958,376

The accompanying notes are an integral
part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
SIERRA COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 2,430,865
Other receivables (Note 3)	15,597
Prepaid expenses	4,000
Total current assets	2,450,462
Investments (Note 2)	2,329,254
Total assets	$ 4,779,716
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	$ 36,299
Deferred revenue (Note 6)	5,715
Total current liabilities	42,014
NET ASSETS	
Unrestricted	1,572,506
Temporarily restricted	1,353,044
Permanently restricted for endowments (Note 16)	1,812,152
Total net assets	4,737,702
Total liabilities and net assets	$ 4,779,716

The accompanying notes are an integral
part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2010

Operating revenues:	
Tuition and fees	$ 15,637,337
Less: scholarship discounts and allowances	(4,375,189)
Net tuition and fees	11,262,148
Grants and contracts, non-capital:	
Federal	20,233,409
State	7,079,759
Local	1,274,101
Auxiliary enterprise sales and charges	566,375
Interest	1,048,156
Total operating revenues	41,463,948
Operating expenses (Note 14):	
Salaries	54,070,386
Employee benefits (Notes 10 and 11)	15,718,012
Supplies, materials, and other operating expenses and services (Note 15)	19,297,594
Student financial aid and scholarships	19,873,747
Utilities	1,894,468
Depreciation (Note 5)	4,299,253
Total operating expenses	115,153,460
Loss from operations	(73,689,512)
Non-operating revenues (expenses):	
State apportionment, non-capital	8,461,313
Local property taxes (Note 9)	60,754,473
State taxes and other revenues	2,674,766
Investment income, noncapital	246,384
Investment income, capital	145,534
Interest expense on capital asset-related debt, net	(3,977,461)
Other non-operating revenues	380,811
Total non-operating revenues (expenses)	68,685,820
Loss before capital revenues	(5,003,692)
Capital revenues:	
Grants and gifts, capital	260,089
Local property taxes and revenues (Note 9)	2,786,483
Total capital revenues	3,046,572
Change in net assets	(1,957,120)
Net assets, July 1, 2009	86,735,967
Net assets, June 30, 2010	$ 84,778,847

The accompanying notes are an integral part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT -
SIERRA COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions and grants	$ 316,135	$ 160,839	$ 54,300	$ 531,274
Investment income	(52,731)	(33,934)		(86,665)
Net change in the fair value of investments	296,567	160,938		457,505
Special events and other revenues		165,712		165,712
Total revenues, gains and other support before assets released from restrictions and other transfers	559,971	453,555	54,300	1,067,826
Net assets released from restrictions and other transfers	233,743	(262,077)	28,334	
Total revenues, gains and other support	793,714	191,478	82,634	1,067,826
District support and Foundation expenses:				
Scholarships	139,507			139,507
Academic program support	21,264			21,264
Grants	157,402			157,402
Administration	276,109			276,109
Fundraising	154,151			154,151
Total District support and Foundation expenses	748,433			748,433
Change in net assets	45,281	191,478	82,634	319,393
Net assets, July 1, 2009, as previously stated	508,575	1,161,566	2,748,168	4,418,309
Restatement (Note 16)	1,018,650		(1,018,650)	
Net assets, July 1, 2009, as restated	1,527,225	1,161,566	1,729,518	4,418,309
Net assets, June 30, 2010	$ 1,572,506	$ 1,353,044	$ 1,812,152	$ 4,737,702

The accompanying notes are an integral
part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Tuition and fees	$ 11,907,499
Federal, state and local grants and contracts	30,879,506
Payments to suppliers	(21,642,531)
Payment to employees	(70,116,982)
Payment to students	(19,873,748)
Collection of loans	110,000
Auxiliary enterprises sales and charges	566,378
Net cash used in operating activities	(68,169,878)
Cash flows from noncapital financing activities:	
State appropriations	11,136,079
Local property taxes	60,754,473
Gifts and grants for other than capital purposes	315,993
Other receipts (payments)	(35,002)
Net cash provided by noncapital financing activities	72,171,543
Cash flows from capital and related financing activities:	
Local property taxes and other revenues for capital purposes	2,786,483
Purchase of capital assets	(10,843,780)
Capital grants and gifts received	260,089
Proceeds from capital debt	79,732
Principal paid on capital debt	(2,561,228)
Interest paid on capital debt, net	(3,253,154)
Interest on capital investments	145,534
Net cash used in capital and related financing activities	(13,386,324)
Cash flows from investing activities:	
Interest income on cash and cash equivalents	1,048,156
Interest income on investments	246,383
Net cash provided by investing activities	1,294,539
Net decrease in cash and cash equivalents	(8,090,120)
Cash balance, beginning of year	51,268,484
Cash balance, end of year	$ 43,178,364

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2010

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (73,689,512)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	4,299,253
Changes in assets and liabilities:	
Receivables, net	2,402,236
Inventory	8,208
Prepaid expenses	27,390
Accounts payable and accrued payroll	(653,935)
Deferred revenue	645,351
Compensated absences	(160,713)
Interest on cash and cash equivalents	(1,048,156)
Net cash used in operating activities	$ (68,169,878)
Supplemental disclosure of non-cash transactions:	
Amortization of premiums on debt	$ 97,130
Capital assets acquired with capital lease	$ 71,139

The accompanying notes are an integral part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - SIERRA COLLEGE FOUNDATION (A Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Donations received from contributions and other revenues	$ 715,880
Payments to suppliers for goods and services	(522,990)
Payments to/on behalf of employees	(126,249)
Payments to/on behalf of students	(139,507)
Other receipts and payments	45,583
Net cash used in operating activities	(27,283)
Cash flows from investing activities:	
Purchasing of investments	(580,471)
Investment management fees	(32,552)
Proceeds from sales and maturities of investments	639,491
Proceeds from gain distributions	236
Net cash provided by investing activities	26,704
Net decrease in cash and cash equivalents	(579)
Cash and cash equivalents - beginning of year	2,431,444
Cash and cash equivalents - end of year	$ 2,430,865
Reconciliation of change in net assets to net cash used in operating activities:	
Change in net assets	$ 319,393
Realized loss on sales of investments	132,242
Investment management fees	32,552
Unrealized gain on investments	(457,505)
Changes in assets and liabilities:	
Receivable from District and Sierra Auto Fair	21,269
Accounts payable and accrued expenses	(72,859)
Deferred revenue	(2,375)
Net cash used in operating activities	$ (27,283)

The accompanying notes are an integral part of these financial statements.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	Agency Funds
	Associated Students Fund
ASSETS	
Cash and cash equivalents (Note 2)	$ 407,963
Accounts receivable	4,464
Total assets	$ 412,427
LIABILITIES	
Accounts payable	$ 1,697
Deferred revenue	36,003
Amounts held for others	374,727
Total liabilities	$ 412,427

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sierra Joint Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Sierra Community College Financing Corporation (the "Financing Corporation") and the Sierra College Foundation (the "Foundation") as its potential component units.

The Financing Corporation is an organization whose activities to date have been limited to the issuance of Certificates of Participation and entering into lease arrangements with the District as discussed in Note 8. The District and the Financing Corporation have financial and operational relationships which met the reporting entity definition of GASB Cod. Sec. 2100.101 for inclusion of the Financing Corporation as a component unit of the District. Accordingly, the financial activities of the Financing Corporation have been blended with the financial statements of the District.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investments earnings to the District. The funds contributed by the Foundation to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Cod. Sec. 2100.138 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements

GASB released Cod. Sec. 2200.101, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Cod. Sec. C05.101, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards of GASB Cod. Sec. 2200.190 - .191 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Cod. Sec. 2200 and 2300. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Cod. Sec. 2100.142, "Determining Whether Certain Organizations Are Component Units," which amends GASB Cod. Sec. 2100.119 - .140, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District follows the financial statement presentation required by the aforementioned provisions. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

Financial Presentation

For financial presentation purposes, the Financing Corporation financial activity has been blended, or combined, with the financial data of the District.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

The Foundation's financial statements are prepared on the accrual basis of accounting. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash and Cash Equivalents

For the purposes 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash, Cash Equivalents and Investments

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the statement of net assets.

Fair Value of Investments

The District records its investment in Placer County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Assets. The fair value of investments, including the Placer County Treasury external investment pool, at June 30, 2010 approximated their carrying value. Foundation investments in debt and equity securities are carried at market value. Realized gains and losses and unrealized appreciation (depreciation) of those investments are reflected in the Statement of Revenues, Expenses and Change in net assets.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts.

Inventory

Inventories are determined on the first-in, first-out (FIFO) method and are stated at the lower of cost or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. For equipment, the District's capitalization policy included all items with a unit cost of $5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 25 years for portable buildings, 20 years for land and building improvements, 5-20 years for equipment and vehicles, and 5 years for technology equipment (such as computers).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The District evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable.

Deferred Revenue

Revenues from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as deferred revenue until earned.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

Restricted net assets: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Unrestricted net assets at June 30, 2010 includes $3,135,329 designated for bargaining unit settlements under the District compensation formula. In addition, the District designates net assets for stores inventory, prepaid expenditures and the revolving account which totaled $493,612 at June 30, 2010.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

The Foundation's net assets are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

In August 2008, the FASB issued ASC 958-205, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of California adopted UPMIFA, which is effective beginning January 1, 2009. As a result of the adoption of UPMIFA, the Foundation has reclassified net assets previously stated as permanently restricted to restricted and unrestricted through a cumulative change in accounting principle. The following disclosures are made as required by this standard.

The Foundation's endowment currently consists of 19 individual funds established for the purpose of supporting education at the District. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows its adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

On-Behalf Payments

GASB Cod. Sec. 2300.120 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of $582,495 (2.017% of salaries subject to CalSTRS).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. C05.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income.

Contributions

Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation 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. Accordingly, actual results may differ from those estimates.

New Financial Accounting Pronouncements

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

In March 2009, the GASB issued Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) 1000, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Cod. Sec. 1000). This Statement is intended to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standard's Board (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The adoption of this update did not have a material impact on the District's net assets, change in net assets and cash flows.

Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

In March 2009, the GASB issued GASB Cod. Sec. 2250, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* (GASB Cod. Sec. 2250). The objective of this Statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) in the GASB standards. The adoption of this Statement did not have a material impact on the District's net assets, change in net assets and cash flows.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2010, consisted of the following:

	District	Foundation	Agency Funds
Pooled Funds:			
Cash in County Treasury	$ 36,837,588		$ 407,285
Deposits:			
Cash on hand and in banks	617,503	$ 2,430,865	678
Funds invested by Fiscal Agents	5,723,273		
Investments		2,329,254	
Total cash, cash equivalents and investments	43,178,364	4,760,119	407,963
Less: restricted cash, cash equivalents and investments:			
Funds invested by Fiscal Agents	5,723,273		
Cash held by Fiscal Agent	18,750,081		
Total restricted cash, cash equivalents and investments	24,473,354		
Net cash, cash equivalents and investments:	$ 18,705,010	$ 4,760,119	$ 407,963

Custodial Credit Risk

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's cash on hand and in banks for the primary governmental entity (including certificates of deposit) was $617,503 and the bank balance was $594,640. The bank balance amount insured by the FDIC was $251,318.

At June 30, 2010, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was $2,430,865 and the bank balance was $2,493,270. The bank balance amount insured by the FDIC was $2,461,670.

Credit Risk

As provided for by in Education Code, Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

In accordance with applicable State laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2010, the Placer County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (Continued)

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 the financial institutions is entirely insured or collateralized.

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentrations of credit risk.

Authorized Investment Type	Maximum Maximum Maturity	Maximum Percentage of Portfolio	Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Authority Pools	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

During the fiscal year ended June 30, 2010, the District earned $1,132,429 in investment income from its cash in the Placer County Treasury.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Placer County Investment Pool	Five years	None	None
Fidelity Institutional Money Market Treasury Fund, III	N/A	None	None
Dreyfus Treasury Fund Premier Shares	N/A	None	None
Wells Fargo Treasury Plus Money Market	N/A	None	None

Investments Held in Trust for Post Retiree Health Benefits

During March 2008, the District transferred funds previously held on behalf of the District's liability for post retirement health benefits to a separate trust fund. The funds are maintained in a public entity investment trust which invests the funds in accordance with California Government Code Sections 53620 through 53622. Since these funds are no longer under the control of the District they are not reflected in the District financial statements.

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Weighted Average Maturity (in Years)
Placer County Investment Pool	4.04
Fidelity Institutional Money Market Treasury Fund, III	0.0027
Dreyfus Treasury Fund Premier Shares	0.0027
Wells Fargo Treasury Plus Money Market	0.0027

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Placer County Treasury Investment Policy based on California Government Code Section 53635, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Authorized Investment Type	Amount	Minimum Legal Rating	Ratings as of End of Year
Placer County Investment Pool	$ 37,244,873	N/A	Unrated
Fidelity Institutional Money Market Treasury Fund, III	$ 19,328	A	AAAm
Dreyfus Treasury Fund Premier Shares	$ 903,014	A	AAAm
Wells Fargo Treasury Plus Money Market	$ 551,630	A	AAAm

Concentration of Credit Risk

The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

Foundation Investments

At June 30, 2010, the Foundation's investments consisted of the following:

Fixed income	$ 4,600
Equity securities	129,069
Mutual funds	2,195,585
	$ 2,329,254

Fair Value Measurements

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 - Quoted market prices or identical instruments traded in active exchange markets.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

Fair Value Measurements (Continued)

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

Description	Fair Value	Level 1	Level 2	Level 3
Investment securities:				
Mutual funds	$ 2,195,585	$ 2,195,585		
Equity securities	129,069	5,600	$ 123,469	
Fixed income	4,600	4,600		
Total investment securities	$ 2,329,254	$ 2,205,785	$ 123,469	$ -

Certain investments were classified as Level 2 as comparable investment securities were used to determine fair value. There were no changes in the valuation techniques used during the year ended June 30, 2010.

The Foundation had no non-recurring assets and no liabilities at June 30, 2010, which were required to be disclosed using the fair value hierarchy.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 are summarized as follows:

	District	Foundation
Federal	$ 387,530	
State	3,362,787	
Local and other	729,501	$ 15,597
	4,479,818	15,597
Less allowance for doubtful accounts	(275,000)	
	$ 4,204,818	$ 15,597

4. NOTE RECEIVABLE

The District received a promissory note in the amount of $1,100,000 from the Truckee Donner Land Trust for the purchase and sale of a Conservation Easement on the Tahoe-Truckee Campus site. The note accrues interest by formula tied to prime rate of interest with principal and interest installments due annually on March 1st. Principal payments of $110,000 are due annually with the final installment due on March 1, 2016. The balance on the promissory note at June 30, 2010 was $660,000.

5. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2009	Additions	Deductions	Transfers	Balance June 30, 2010
Non-depreciable:					
Land	$ 8,495,012				$ 8,495,012
Construction in progress	29,593,701	$ 9,781,329			39,375,030
Depreciable:					
Building improvements	32,494,813	467,253		$ 16,700	32,978,766
Buildings	88,553,510			(16,700)	88,536,810
Machinery and equipment	9,642,132	666,337	$ 31,965		10,276,504
Total	168,779,168	10,914,919	31,965		179,662,122
Less accumulated depreciation:					
Building improvements	(11,329,960)	(1,584,897)			(12,914,857)
Buildings	(15,802,522)	(1,808,243)			(17,610,765)
Machinery and equipment	(5,251,427)	(906,113)	(31,965)		(6,125,575)
Total	(32,383,909)	(4,299,253)	(31,965)		(36,651,197)
Capital assets, net	$ 136,395,259	$ 6,615,666	$ -	$ -	$ 143,010,925

6. DEFERRED REVENUE AND DEFERRED SUPPORT

Deferred revenue for the District consisted of the following:

	District	Foundation
Deferred Federal and State revenue	$ 1,111,479	
Deferred local revenue	1,072,754	$ 5,715
Deferred tuition and other student fees	3,054,542	
Total deferred revenue	$ 5,238,775	$ 5,715

7. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANs) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANs activity for the year ended June 30, 2010 is as follows:

	Outstanding July 1, 2009	Additions	Deletions	Outstanding June 30, 2010
Series 2009 - 2.00% Tax Revenue Anticipation Note	$ -	$ 11,235,000	$ 11,235,000	$ -

Subsequent to June 30, 2010, the District entered into a new TRANs agreement for $12,435,000 payable on June 30, 2011.

8. LONG-TERM LIABILITIES

General Obligation Bonds

On April 21, 2005, the District issued $20,000,000 of General Obligation Bonds Series A of the School Facilities Improvement District (SFID) No. 1. The Bonds were issued to finance the construction of a campus in the Tahoe-Truckee area. The Bonds mature through 2030 and bear interest at rates ranging from 3.20% to 5.00%.

Bond issuance costs of $281,345 (net of accumulated amortization) were capitalized and are amortized over the term of the Bond.

The following is a schedule of future payments for the Series A SFID No. 1 General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2011	$ 55,000	$ 955,073	$ 1,010,073
2012	105,000	951,810	1,056,810
2013	160,000	946,690	1,106,690
2014	225,000	939,031	1,164,031
2015	290,000	927,742	1,217,742
2016-2020	2,710,000	4,281,202	6,991,202
2021-2025	5,665,000	3,164,701	8,829,701
2026-2030	10,000,000	1,145,417	11,145,417
Subtotal	19,210,000	13,311,666	32,521,666
Plus: Unamortized premium	705,667		705,667
	$ 19,915,667	$ 13,311,666	$ 33,227,333

8. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On June 21, 2007, the District issued Measure H, Series B bonds to fund the acquisition, construction and development of a new campus. Serial Bonds of $10,460,000 bear interest at rates of 4.00% to 5.00%, maturing August 1, 2026. Interest payments are due semiannually on February 1 and August 1 of each year, commencing February 1, 2008. Capital Appreciation Bonds of $4,535,972 bear interest at rates ranging from 4.96% to 5.01%. Bonds maturing August 1, 2027 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.

Bond issuance costs of $214,774 (net of accumulated amortization) were capitalized and will be amortized over the term of the Bond. Accreted interest on the capital appreciation bonds was $642,434 at June 30, 2010.

The following is a schedule of the future payments for the Series B SFID No. 1 General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2011	$ 145,000	$ 478,538	$ 623,538
2012	180,000	471,455	651,455
2013	225,000	462,605	687,605
2014	265,000	452,138	717,138
2015	310,000	439,888	749,888
2016-2020	2,410,000	1,935,635	4,345,635
2021-2025	4,335,000	1,120,563	5,455,563
2026-2030	4,094,039	4,907,453	9,001,492
2031-2032	2,926,934	4,782,179	7,709,113
Subtotal	14,890,973	15,050,454	29,941,427
Plus: Unamortized premium	257,718		257,718
	$ 15,148,691	$ 15,050,454	$ 30,199,145

8. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On April 21, 2005, the District issued $18,000,000 of General Obligation Bonds Series A of the SFID No. 2. The Bonds were issued to finance improvements to the District's Grass Valley campus. The Bonds mature through 2030 and bear interest at rates ranging from 3.20% to 5.00%.

Bond issuance costs of $267,474 (net of accumulated amortization) were capitalized and are amortized over the term of the loan.

The following is a schedule of the future payments for the Series A SFID No. 2 General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2011	$ 115,000	$ 760,005	$ 875,005
2012	80,000	757,276	837,276
2013	125,000	753,281	878,281
2014	175,000	747,323	922,323
2015	230,000	738,379	968,379
2016-2020	2,145,000	3,409,014	5,554,014
2021-2025	4,485,000	2,524,442	7,009,442
2026-2030	7,995,000	919,813	8,914,813
Subtotal	15,350,000	10,609,533	25,959,533
Plus: Unamortized premium	611,903		611,903
	$ 15,961,903	$ 10,609,533	$ 26,571,436

8. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On June 21, 2007, the District issued Measure G, Series B bonds to fund the acquisition, construction and development of a new campus. Serial Bonds of $4,260,000 bear interest at a rate 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.

Bond issuance costs of $409,956 (net of accumulated amortization) were capitalized and will be amortized over the term of the Bond. Accreted interest on the capital appreciation bonds was $2,931,519 at June 30, 2010.

The following is a schedule of the future payments for the Series B SFID No. 2 General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2011	$ 985,000	$ 100,083	$ 1,085,083
2012	1,155,000	54,450	1,209,450
2013	1,265,000	285,034	1,550,034
2014	1,073,654	366,543	1,440,197
2015	1,072,985	439,986	1,512,971
2016-2020	5,317,289	3,497,237	8,814,526
2021-2025	5,167,274	6,060,518	11,227,792
2026-2030	5,072,861	10,381,904	15,454,765
2031-2032	4,432,455	8,411,478	12,843,933
Subtotal	25,541,518	29,597,233	55,138,751
Plus: Unamortized premium	412,746		412,746
	$ 25,954,264	$ 29,597,233	$ 55,551,497

8. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

During 1998, the Financing Corporation issued $6,005,000 of Certificates of Participation (COPs) with an average interest rate of 4.68%. Proceeds were used to advance refund $2,390,000 of outstanding 1991 COPs to fund the residence hall renovation project. The net proceeds related to the advance refunding issuance were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments and the 1991 COPs were considered legally defeased.

The following is a schedule of the future payments for the 1998 Certificates of Participation:

Year Ending June 30,	Principal	Interest	Total
2011	$ 460,000	$ 93,010	$ 553,010
2012	185,000	72,452	257,452
2013	190,000	63,540	253,540
2014	200,000	54,233	254,233
2015	210,000	44,375	254,375
2016-2018	695,000	67,854	762,854
	$ 1,940,000	$ 395,464	$ 2,335,464

8. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

During 2004, the Financing Corporation issued $7,400,000 of COPs with an average interest rate of 3.93%. The net proceeds of $7,205,553 were used to finance gymnasium improvements, purchase chemistry fume hoods, finance swimming pool upgrades, athletic fields, finance water heating system repairs and purchase relocatable educational facilities.

Debt issuance costs of $132,050 (net of accumulated amortization) were capitalized and are amortized over the term of the debt. Amortization expense was $8,804 for the year ended June 30, 2010.

The following is a schedule of the future payments for the 2004 Certificates of Participation:

Year Ending June 30,	Principal	Interest	Total
2011	$ 310,000	$ 224,529	$ 534,529
2012	320,000	215,028	535,028
2013	330,000	204,788	534,788
2014	340,000	193,901	533,901
2015	350,000	182,051	532,051
2016-2020	1,950,000	698,881	2,648,881
2021-2025	2,380,000	252,105	2,632,105
Subtotal	5,980,000	1,971,283	7,951,283
Less: Unamortized discount	(13,783)		(13,783)
	$ 5,966,217	$ 1,971,283	$ 7,937,500

8. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

During 2007, the Financing Corporation issued $7,785,000 of COPs with an average interest rate of 4.00%. The net proceeds of $7,607,610 were used to finance the Sunguard Higher Education Banner System and required computer equipment as well as an upgrade to the telephone switching station.

Debt issuance costs of $130,608 (net of accumulated amortization) were capitalized and are amortized over the term of the debt. Amortization expense was $11,874 for the year ended June 30, 2010.

The following is a schedule of the future payments for the 2007 Certificates of Participation:

Year Ending June 30,	Principal	Interest	Total
2011	$ 510,000	$ 277,769	$ 787,769
2012	530,000	257,236	787,236
2013	550,000	235,902	785,902
2014	575,000	213,871	788,871
2015	595,000	191,538	786,538
2016-2020	3,350,000	577,596	3,927,596
2021	755,000	27,526	782,526
Subtotal	6,865,000	1,781,438	8,646,438
Less: Unamortized discount	(19,490)		(19,490)
	$ 6,845,510	$ 1,781,438	$ 8,626,948

8. LONG-TERM LIABILITIES (Continued)

Dormitory Bonds

Dormitory bonds were issued pursuant to the State of California Junior College Revenue Bond Act of 1961 and via a resolution adopted by the Board of Trustees on September 13, 1966, for Series A and B Bonds and on June 10, 1969 for Series C Bonds. The original issue was in the aggregate principal amount of $1,409,000 and was acquired in total by the United States Department of Housing and Urban Development. These Bonds are secured by the net revenues derived by the District from the housing and dining system. A Bond Interest and Redemption Fund has been established in accordance with the provisions of the bond agreement.

The following is a schedule of the future payments for the Dormitory Series C Bonds:

Year Ending June 30,	Principal	Interest	Total
2011	$ 25,000	$ 6,480	$ 31,480
2012	25,000	5,730	30,730
2013	25,000	4,980	29,980
2014	25,000	4,230	29,230
2015	25,000	3,480	28,480
2016-2020	91,000	5,490	96,490
	$ 216,000	$ 30,390	$ 246,390

California Energy Commission Loans

The District entered into contracts with the California Energy Commission to receive money for energy conservation projects. The contracts are charged interest at 3% and began reimbursement on December 22, 2002.

The following is a schedule of the future payments for the California Energy Commission Loans:

Year Ending June 30,	Principal	Interest	Total
2011	$ 177,808	$ 4,011	$ 181,819

8. LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations

The District leases computer and office equipment under long-term lease purchase agreements. Future minimum lease payments as of June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 42,983	$ 4,499	$ 47,482
2012	18,050	2,248	20,298
2013	19,404	893	20,297
	$ 80,437	$ 7,640	$ 88,077

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	$ 78,165,347		$ 1,184,822	$ 76,980,525	$ 1,300,000
Certificates of Participation	15,979,036		1,227,309	14,751,727	1,280,000
Dormitory Bonds	241,000		25,000	216,000	25,000
California Energy Commission Loan	350,398		172,590	177,808	177,808
Capital lease obligations	57,936	$ 71,139	48,638	80,437	42,983
Compensated absences	1,153,602		160,713	992,889	992,889
Accreted interest	2,826,101	747,852		3,573,953	
	$ 98,773,420	$ 818,991	$ 2,819,072	$ 96,773,339	$ 3,818,680

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Building Fund. Payments on the capitalized lease obligations are made from the General Fund and Capital Facilities Fund. Payments on the compensated absences and postemployment benefits are made from the fund for which the related employee worked.

9. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of March 1, and are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The Placer, Nevada, Sacramento, Yuba and El Dorado Counties each bill and collect taxes for the District. Tax revenues are recognized by the District when received. The District is considered an "excess tax school entity" pursuant to Revenue and Tax Code 95.1 and, accordingly, has deferred recognition of the Education Revenue Augmentation Fund tax payments received in excess of the District's estimated allocation until a final allocation is determined by the County.

10. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were $2,514,475, $2,437,461 and $2,456,979, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by $22.5 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of $22.5 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the CB program's actuarial value of assets exceeded the program's accrued liabilities by $861,000. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

All full-time classified employees participate in CalPERS, a multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation. The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ended in July 2003. The required employer contribution rate for fiscal year 2009-2010 was 9.7093% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, 2008 were $1,827,706, $1,755,336 and $1,645,774, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the District provides lifetime post-retirement health care benefits to eligible employees who retire from the District. The benefits provide retired employees with health insurance coverage. After the retiree is eligible for Medicare, the District provides insurance coverage supplemental to Medicare. Eligible requirements and benefits vary according to hire date as follows:

Academic Employees

- Employees hired before November 27, 1984 receive 100% paid benefits upon retirement from the District.
- Employees hired after November 27, 1984, but before July 2, 1986, must have completed five years of service to receive 100% paid benefits.
- Employees hired after July 1, 1986, but before July 2, 1994, must have completed twelve years of service to receive 100% paid benefits.
- Employees hired after July 1, 1994 may purchase benefits at their own expense.

Classified Employees

- Employees hired before December 10, 1985 receive 100% paid benefits upon retirement from the District.
- Employees hired after December 10, 1985, but before July 2, 1986, must have completed five years of service to receive 100% paid benefits.
- Employees hired after July 1, 1986, but before July 2, 1994, must have completed 15 years of service to receive 100% paid benefits.
- Employees hired after July 1, 1994 may purchase benefits at their own expense.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	$ 5,163,093
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	5,163,093
Contributions made	(3,190,050)
Increase in net OPEB obligation	1,973,043
Net OPEB asset - beginning of year	(3,538,566)
Net OPEB asset - end of year	$ (1,565,523)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Asset
June 30, 2009	$ 5,212,371	52.9%	$ (3,538,566)
June 30, 2010	$ 5,163,093	61.8%	$ (1,565,523)

As of July 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $59,925,000, and the actuarial value of assets was $5,749,000, resulting in an unfunded actuarial accrued liability (UAAL) of $54,176,000. The covered payroll (annual payroll of active employees covered by the Plan) was $9,172,150, and the ratio of the UAAL to the covered payroll was 591 percent.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 28 years.

12. COMMITMENTS AND CONTINGENCIES

<u>Contingent Liabilities</u>

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could results in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

Future minimum rental payments under all noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2010, are as follows:

Year Ending June 30,	
2011	$ 1,668,881
2012	1,726,630
2013	1,786,435
2014	1,848,370
2015	1,902,219
	$ 8,932,535

13. JOINT POWERS AGREEMENTS

Sierra Joint Community College District participates in Joint Power Agreements (JPAs), with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property, liability, and workers' compensation insurance, and Schools Excess Liability Fund (SELF) for the operation of common risk management and insurance programs. The relationship between Sierra Joint Community College District and the JPAs is such that they are not component units of Sierra Joint Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. Sierra Joint Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most recent year available is as follows:

	ASCIP June 30, 2009	SELF June 30, 2010
Total assets	$ 222,498,179	$ 196,974,000
Total liabilities	$ 131,161,256	$ 160,464,000
Net assets	$ 91,336,923	$ 36,510,000
Total revenues	$ 174,035,744	$ 19,384,000
Total expenses	$ 167,424,949	$ 30,536,000
Change in net asset	$ 6,610,795	$ (11,152,000)

14. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2010.

Functional Classifications	Salaries	Employee Benefits	Supplies Materials and Other Operating Expenses and Services	Student Aid	Utilities	Depreciation	Total
Instruction	$ 29,644,194	$ 7,336,200	$ 1,377,066				$ 38,357,460
Academic Support	4,715,779	1,293,554	3,241,157				9,250,490
Student Services	7,404,661	1,865,535	892,792				10,162,988
Operations and Maintenance of Plant	2,368,711	778,374	1,055,172		$ 1,894,468		6,096,725
Institution Support	7,620,349	3,828,217	4,275,561				15,724,127
Community Services & Economic Development	989,128	254,690	3,067,022				4,310,840
Auxiliary Operations	1,315,238	359,150	2,422,840				4,097,228
Student Aid				$ 19,873,747			19,873,747
Physical Property and Related Acquisitions	12,326	2,292	2,965,984			$ 4,299,253	7,279,855
	$ 54,070,386	$ 15,718,012	$ 19,297,594	$ 19,873,747	$ 1,894,468	$ 4,299,253	$ 115,153,460

15. DONATED SERVICES AND FACILITIES

Donated services and facilities to the Sierra College Foundation totaling $69,624 for the year ended June 30, 2010 consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services as provided by the District. Donated revenues and expenses are included in contributions and grants, and administration expenses, respectively, on the Foundation's statement of revenues, expenses and change in net assets.

The valuation of such services and facilities is determined based upon various factors including employee salaries and benefits, office rent, and certain other operating expenses.

16. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as previously stated	$ (1,018,650)	$ 12,141	$ 2,748,168	$ 1,741,659
Restatement [1]	2,037,300		(1,018,650)	1,018,650
Endowment net assets, beginning of year, as restated	1,018,650	12,141	1,729,518	2,760,309
Change in fair value of investments	(57,616)	156,032		98,416
Contributions	120	4,025	54,300	58,445
Other transfers			30,200	30,200
Appropriation of endowment assets for expenditure		(5,888)	(1,866)	(7,754)
Endowment net assets, end of year	$ 961,154	$ 166,310	$ 1,812,152	$ 2,939,616

[1] During 2010, management determined that the reclassification of net assets should be changed to omit board-designated endowment net assets of $1,018,650. The reclassification was changed to leave these board designated items in unrestricted net assets.

16. ENDOWMENT NET ASSETS - FOUNDATION (Continued)

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (22,712)	$ 166,310	$ 1,812,152	$ 1,955,750
Board-designated endowment funds	983,866			983,866
Total	$ 961,154	$ 166,310	$ 1,812,152	$ 2,939,616

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were 7 individual endowment funds with such deficiencies as of June 30, 2010.

17. CONSTRUCTION COMMITMENTS

As of June 30, 2010, the District has approximately $4,146,442 million in outstanding commitments on construction contracts.

18. SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2010 to November 9, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2010

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	July 1, 2008	$ 5,749,000	$ 59,925,000	$ 54,176,000	9.60%	$ 10,174,000	532%
6/30/2010	July 1, 2008	$ 5,749,000	$ 59,925,000	$ 54,176,000	9.60%	$ 9,172,150	591%

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL INFORMATION

PERRY-SMITH
THE POWER OF CONFIDENCE

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Sierra Joint Community College District
Rocklin, California

We have audited the basic financial statements of Sierra Joint Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. These basic financial statements are the responsibility of the 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; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the *California Community Colleges Contracted District Audit Manual*, presented by the Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial and statistical information including the Schedule of Federal Financial Awards and the reports listed below, is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Sierra Joint Community College District and includes the following schedules:

- Schedule of Expenditures of Federal Awards
- Schedule of State Financial Awards
- Schedule of Workload Measures for State General Apportionment
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements
- Notes to Supplemental Information

The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION
(Continued)

The supplemental combining statement of net assets by fund and combining statement of revenues, expenditures and change in net assets by fund on pages through have been presented for the purpose of additional analysis and are not a required part of the basic financial statements. Accordingly, they have not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them.

Perry-Smith LLP

Sacramento, California
November 9, 2010

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS BY FUND

June 30, 2010

	General	Bond Interest & Redemption	SFID #1 Bond Interest & Redemption	SFID #2 Bond Interest & Redemption	SFID #1 Construction Funds	SFID #2 Construction Funds
Assets						
Current assets:						
Cash and cash equivalents	$ 18,331,395		$ 17,468	$ 21,471		
Accounts receivable, net	3,816,960					
Note receivable					$ 660,000	
Inventory	62,642					
Prepaid expenses	285,681					$ 81,239
Total current assets	22,496,678		17,468	21,471	660,000	81,239
Noncurrent assets:						
Restricted cash, cash equivalents and investments	22	$ 608	1,906,161	2,342,926	808,437	12,270,241
Capitalized debt issuance costs						
Capital assets, net						
Total noncurrent assets	22	608	1,906,161	2,342,926	808,437	12,270,241
Total assets	$ 22,496,700	$ 608	$ 1,923,629	$ 2,364,397	$ 1,468,437	$ 12,351,480
Liabilities						
Current liabilities:						
Accounts payable	$ 1,340,124				$ 506,720	$ 2,258,813
Deferred revenue	5,087,856					
Accrued payroll	917,317					
Compensated absences payable						
Capitalized leases - current portion						
Long-term debt - current portion						
Accrued interest on debt						
Total current liabilities	7,345,297				506,720	2,258,813
Noncurrent liabilities:						
Capitalized leases - noncurrent portion						
Accreted interest on bonds						
Long-term debt - noncurrent portion						
Total noncurrent liabilities						
Total liabilities	7,345,297				506,720	2,258,813
Net Assets						
Invested in capital assets, net of related debt					961,717	10,092,667
Restricted for:						
Scholarships and loans						
Capital projects						
Debt service		$ 608	$ 1,923,629	$ 2,364,397		
Undesignated	15,151,403					
Total net assets	15,151,403	608	1,923,629	2,364,397	961,717	10,092,667
Total liabilities and net assets	$ 22,496,700	$ 608	$ 1,923,629	$ 2,364,397	$ 1,468,437	$ 12,351,480

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS BY FUND
(Continued)
June 30, 2010

	Capital Projects	Financial Aid	Dormitory	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
Assets						
Current assets:						
Cash and cash equivalents	$ (420)		$ 335,096	$ 18,705,010		$ 18,705,010
Accounts receivable, net	211,654	$ 146,224	29,980	4,204,818		4,204,818
Note receivable				660,000		660,000
Inventory				62,642		62,642
Prepaid expenses	30,000		8,500	405,420		405,420
Total current assets	241,234	146,224	373,576	24,037,890		24,037,890
Noncurrent assets:						
Restricted cash, cash equivalents and investments	7,125,226	19,733		24,473,354		24,473,354
Capitalized debt issuance costs					$ 1,436,207	1,436,207
Capital assets, net					143,010,925	143,010,925
Total noncurrent assets	7,125,226	19,733		24,473,354	144,447,132	168,920,486
Total assets	$ 7,366,460	$ 165,957	$ 373,576	$ 48,511,244	$ 144,447,132	$ 192,958,376
Liabilities						
Current liabilities:						
Accounts payable	$ 62,325	$ 149,568	$ 53,420	$ 4,370,970		$ 4,370,970
Deferred revenue	19,578		131,341	5,238,775		5,238,775
Accrued payroll				917,317		917,317
Compensated absences payable					$ 992,889	992,889
Capitalized leases - current portion					42,983	42,983
Long-term debt - current portion					2,782,808	2,782,808
Accrued interest on debt					879,128	879,128
Total current liabilities	81,903	149,568	184,761	10,527,062	4,697,808	15,224,870
Noncurrent liabilities:						
Capitalized leases - noncurrent portion					37,454	37,454
Accreted interest on bonds					3,573,953	3,573,953
Long-term debt - noncurrent portion					89,343,252	89,343,252
Total noncurrent liabilities					92,954,659	92,954,659
Total liabilities	81,903	149,568	184,761	10,527,062	97,652,467	108,179,529
Net Assets						
Invested in capital assets, net of related debt	1,473,972			12,528,356	47,230,475	59,758,831
Restricted for:						
Scholarships and loans		16,389		16,389		16,389
Capital projects	5,810,585			5,810,585		5,810,585
Debt service				4,288,634		4,288,634
Undesignated			188,815	15,340,218	(435,810)	14,904,408
Total net assets	7,284,557	16,389	188,815	37,984,182	46,794,665	84,778,847
Total liabilities and net assets	$ 7,366,460	$ 165,957	$ 373,576	$ 48,511,244	$ 144,447,132	$ 192,958,376

See accompanying notes to supplemental information.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND

Year Ended June 30, 2010

	General	Bond Interest & Redemption	SFID #1 Bond Interest & Redemption	SFID #2 Bond Interest & Redemption	SFID #1 Construction Funds	SFID #2 Construction Funds
Operating revenues:						
Tuition and fees	$ 10,257,329					
Less: Scholarship discounts and allowance						
Net tuition and fees	10,257,329					
Grants and contracts, non-capital:						
Federal	1,957,206					
State	6,074,076					
Local	659,486					
Auxiliary enterprise sales and charges	566,375					
Interest	746,952	$ (84)	$ 49,359	$ 53,328	$ 46,149	$ 398,864
Total operating revenues	20,261,424	(84)	49,359	53,328	46,149	398,864
Operating expenses:						
Salaries	53,996,781				537	11,694
Employee benefits	15,656,077				51	2,232
Supplies, materials and other operating expenses and services	17,821,813				297,034	11,410,610
Student financial aid and scholarships	243,737					
Utilities						
Depreciation						
Total operating expenses	87,718,408				297,622	11,424,536
Operating (loss) income	(67,456,984)	(84)	49,359	53,328	(251,473)	(11,025,672)
Non-operating revenues (expenses):						
State apportionment, non-capital	8,461,313					
Local property taxes	59,867,285		4,915	882,273		
State taxes and other revenues	2,674,766					
Investment income - non-capital						
Investment income - capital						
Interest expense on capital asset related debt	(239,833)	(7,230)	(1,443,245)	(919,823)		
Other non-operating revenues (expenses)	279,852					
Debt reduction	(221,228)	(25,000)	(115,000)	(970,000)		
Interfund transfers out	(2,186,842)					
Interfund transfers in	167,317	32,230				
Total non-operating revenues (expenses)	68,802,630		(1,553,330)	(1,007,550)		
Income (loss) before capital revenues	1,345,646	(84)	(1,503,971)	(954,222)	(251,473)	(11,025,672)
Capital revenues:						
State apportionment						
Grants and gifts, capital						
Local property taxes and other revenues, capital	90,946		1,553,131	1,142,406		
Total capital revenues	90,946		1,553,131	1,142,406		
Change in net assets	1,436,592	(84)	49,160	188,184	(251,473)	(11,025,672)
Net assets, July 1, 2009	13,714,811	692	1,874,469	2,176,213	1,213,190	21,118,339
Net assets, June 30, 2010	$ 15,151,403	$ 608	$ 1,923,629	$ 2,364,397	$ 961,717	$ 10,092,667

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Continued)
Year Ended June 30, 2010

	Capital Projects	Financial Aid	Dormitory	Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues, Expenses and Change in Net Assets
Operating revenues:						
Tuition and fees	$ 29,622	$ 1,500	$ 973,697	$ 11,262,148	$ 4,375,189	$ 15,637,337
Less: Scholarship discounts and allowance					(4,375,189)	(4,375,189)
Net tuition and fees	29,622	1,500	973,697	11,262,148		11,262,148
Grants and contracts, non-capital:						
Federal		18,276,203		20,233,409		20,233,409
State	141,752	863,931		7,079,759		7,079,759
Local	354,539	244,682	15,394	1,274,101		1,274,101
Auxiliary enterprise sales and charges				566,375		566,375
Interest	140,195	(28)	5,339	1,440,074	(391,918)	1,048,156
Total operating revenues	666,108	19,386,288	994,430	41,855,866	(391,918)	41,463,948
Operating expenses:						
Salaries	95		221,992	54,231,099	(160,713)	54,070,386
Employee benefits	9		59,643	15,718,012		15,718,012
Supplies, materials and other operating expenses and services	1,989,394		439,035	31,957,886	(12,660,292)	19,297,594
Student financial aid and scholarships		19,630,010		19,873,747		19,873,747
Utilities					1,894,468	1,894,468
Depreciation					4,299,253	4,299,253
Total operating expenses	1,989,498	19,630,010	720,670	121,780,744	(6,627,284)	115,153,460
Operating (loss) income	(1,323,390)	(243,722)	273,760	(79,924,878)	6,235,366	(73,689,512)
Non-operating revenues (expenses):						
State apportionment, non-capital				8,461,313		8,461,313
Local property taxes				60,754,473		60,754,473
State taxes and other revenues				2,674,766		2,674,766
Investment income - non-capital					246,384	246,384
Investment income - capital					145,534	145,534
Interest expense on capital asset related debt	(641,250)			(3,251,381)	(726,080)	(3,977,461)
Other non-operating revenues (expenses)	260,089		1,141	541,082	(160,271)	380,811
Debt reduction	(1,230,000)			(2,561,228)	2,561,228	
Interfund transfers out	(131,744)	(74)	(260,595)	(2,579,255)	2,579,255	
Interfund transfers in	2,133,760	245,948		2,579,255	(2,579,255)	
Total non-operating revenues (expenses)	390,855	245,874	(259,454)	66,619,025	2,066,795	68,685,820
Income (loss) before capital revenues	(932,535)	2,152	14,306	(13,305,853)	8,302,161	(5,003,692)
Capital revenues:						
State apportionment						
Grants and gifts, capital					260,089	260,089
Local property taxes and other revenues, capital				2,786,483		2,786,483
Total capital revenues				2,786,483	260,089	3,046,572
Change in net assets	(932,535)	2,152	14,306	(10,519,370)	8,562,250	(1,957,120)
Net assets, July 1, 2009	8,217,092	14,237	174,509	48,503,552	38,232,415	86,735,967
Net assets, June 30, 2010	$ 7,284,557	$ 16,389	$ 188,815	$ 37,984,182	$ 46,794,665	$ 84,778,847

See accompanying notes to supplemental information.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Entity Identifying Number	Federal Expend-itures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
College Work Study Program	84.033	P007A070600	$ 369,899
Pell Grant Program	84.063	001290	17,864,789
SEOG	84.007	P007A070600	323,652
Academic Competitiveness Grant	84.375	P375A20071180	127,147
Subtotal Student Financial Aid Cluster			18,685,487
Passed through California Community College Chancellor's Office:			
Title I - Part C - Basic Grant VTEA	84.048	02-C01-058	574,779
Title II - Tech Prep	84.048	02-139-067	62,918
ARRA: State Fiscal Stabilization Funds (SFSF)	84.394	-	327,829
Total U.S. Department of Education			19,651,013
U.S. Department of Agriculture			
Direct Programs:			
Veterans Reserve Funds	10.665	-	4,032
Passed through El Dorado and Nevada Counties:			
Forest Reserve	10.665	-	135,044
Total U.S. Department of Agriculture			139,076
U.S. Small Business Administration			
Direct Programs:			
SBA Mechatronics	59.000	SBAHQ-08-I-0175	259,161
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Foster Parent Training	93.658	1262100	130,129
Passed through California Community College Chancellor's Office:			
TANF	93.558	-	42,524
Total U.S. Department of Health and Human Services			172,653
Total Federal Programs			$ 20,221,903

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Net Assets and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues and transferred for appropriate local expenditures during June 30, 2010.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Net Assets		$ 20,233,409
Less: College Work Study Program funds utilized for Administrative Allowance	84.033	(11,506)
Total Schedule of Expenditures of Federal Awards		$ 20,221,903

See accompanying notes to supplemental information.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2010

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
DSPS		$ 793,006	$ 793,006	$ 793,006			$ 793,006	$ 793,006
TANF		33,117	33,117	30,091	$ 3,026		33,117	33,117
TANF Works		44,274	44,274	13,858	30,416		44,274	44,274
CalWorks		262,026	262,026	262,026			262,026	262,026
Matriculation (credit)	$ 49,242	479,128	528,370	528,370		$ 53,125	475,245	475,245
Part Time Faculty		328,453	328,453	328,453			328,453	328,453
CARE - Administration	27,440	43,713	71,153	71,153		9,313	61,840	61,840
CARE - Student Grants	2,600	61,685	64,285	64,285		17,585	46,700	46,700
EOPS	3,302	482,531	485,833	485,833			485,833	485,833
Associate Degree Nursing - Butte		123,077	123,077	123,077			123,077	123,077
State Instructional Equipment	17,630		17,630	17,630			17,630	17,630
TTIP - Telecomm Infrastr. LRC	5,996		5,996	5,996			5,996	5,996
TTIP - Telecomm Infrastr. IT	870		870	870		870		
CACT		101,670	101,670	85,403	16,267		101,670	101,670
CACT Hub	31,096	79,370	110,466	31,096	79,370		110,466	110,466
IDRC Photovoltaic Energy	83,244	135,926	219,170	169,572	49,598		219,170	219,170
Responsive Training Fund	181,639	107,244	288,883	271,724		106,326	165,398	165,398
SBA/COCCC		74,393	74,393	62,490	11,903		74,393	74,393
SBA/Chico		168,382	168,382	60,283	108,099		168,382	168,382
SBDC - Statewide Leadership		11,818	11,818		11,818		11,818	11,818
State Preschool		469,781	469,781	423,914	45,867		469,781	469,781
State Preschool - Reserve	56,980	14,138	71,118	71,118		65,094	6,024	6,024
Family Child Care Homes		192,218	192,218	170,563	21,655		192,218	192,218
Family Child Care Homes - Reserve	1,082	25	1,107	1,107		1,107		
Child Development Training Consort.		8,050	8,050	8,050			8,050	8,050
BFAP - Administrative Allowances	13,191	474,707	487,898	487,898			487,898	487,898
Cal Grant B		837,867	837,867	811,585	26,282		837,867	837,867
Cal Grant C		26,064	26,064	26,064			26,064	26,064
Staff Diversity	16,540	7,631	24,171	24,171		14,112	10,059	10,059
Staff Development	2,559		2,559	2,559		2,309	250	250
Entrepreneurship Career Pathways		50,000	50,000		50,000		50,000	50,000
Basic Skills - Ongoing	404,014	135,564	539,578	539,578		376,422	163,156	163,156
CTE Stem (07-170)	227,354		227,354	227,354			227,354	227,354
CTE Stem (07-171)	102,328		102,328	102,328			102,328	102,328

(Continued)

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)
For the Year Ended June 30, 2010

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
CTE Pathways (140-271)	$ 400,000	$ 389,000	$ 789,000	$ 710,000		$ 293,594	$ 416,406	$ 416,406
CTE Innovation Partnerships (141-271)	94,800	79,000	173,800	173,800		71,190	102,610	102,610
CTE Nursing Assessment (08-107-11)	121,253	80,648	201,901	188,997	$ 12,904		201,901	201,901
Articulation	3,275		3,275	3,275		1,932	1,343	1,343
Total State Programs	$ 1,846,435	$ 6,094,506	$ 7,940,941	$ 7,377,577	$ 467,205	$ 1,012,979	$ 6,831,803	$ 6,831,803

See accompany notes to supplemental information.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2010

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	30		30
2. Credit	777		777
B. Summer Intersession (Summer 2009 - Prior to July 1, 2010)			
1. Noncredit			
2. Credit	8		8
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	12,054		12,054
b. Daily Census Contact Hours	200		200
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	360		360
b. Credit	678		678
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,367		1,367
b. Daily Census Contact Hours	48		48
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	15,522	-	15,522
Supplemental Information:			
E. In-Service Training Courses (FTES)	81		81
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	349		349
b. Credit	879		879
CCFS 320 Addendum			
CDCP	-		-
Centers FTES			
a. Noncredit	25		25
b. Credit	1,864		1,864

See accompanying notes to supplemental information.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

There were no adjustments proposed to any funds of the District.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Combining Statement of Net Assets by Fund and Statement of Revenues, Expenses and Change in Net Assets by Fund

These statements report the financial position and operational results of the individual funds of the District, the reconciling adjusting entries under GASB Cod. Sec. C05.101.

B - Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

C - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

D - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

E - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited financial statements.

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INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Sierra Joint Community College District
Rocklin, California

We have audited the basic financial statements of Sierra Joint Community College District for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

General Directives

Management Information System Implementation – State General Apportionment Required Data Elements

Administration

Apportionments – Apportionment for Instructional Service Agreements/Contracts
Apportionments – Residency Determination for Credit Courses
Apportionments – Concurrent Enrollment of K-12 Students in Community College Credit Courses
Apportionments – Enrollment Fee
Apportionments – Students Actively Enrolled
Fiscal Operations – Salaries of Classroom Instructors: 50 Percent Law
Fiscal Operations – Gann Limit Calculation
Open Enrollment
Student Fee – Instructional Materials and Health Fees

Student Services

Uses of Matriculation Funds
CalWORKs – Use of State and Federal TANF Funding

Facilities

Scheduled Maintenance Program

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS
(Continued)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Sierra Joint Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2010.

This report is intended solely for the information and use of the Audit and Finance Committee, District management, the Board of Trustees, and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Perry-Smith LLP

Sacramento, California
November 9, 2010

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Sierra Joint Community College District
Rocklin, California

We have audited the basic financial statements of Sierra Joint Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. 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 on 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sierra Joint Community College District's basic financial statements are free of material misstatement, we performed tests of its 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*.

Sierra Joint Community College District's responses to the findings identified in our audit are included in the accompanying Summary of Findings and Recommendations. We did not audit the District's responses and, accordingly, express no opinion on them.

This report is intended for the information of the Audit and Finance Committee, District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

Perry-Smith LLP

Sacramento, California
November 9, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Sierra Joint Community College District
Rocklin, California

Compliance

We have audited the compliance of Sierra Joint Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2010. Sierra Joint Community College District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Sierra Joint Community College District's management. Our responsibility is to express an opinion on Sierra Joint Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sierra Joint Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sierra Joint Community College District's compliance with those requirements.

In our opinion, Sierra Joint Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs.

Internal Control Over Compliance

The management of Sierra Joint Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Sierra Joint Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sierra Joint Community College District's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information of the Audit and Finance Committee, District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Perry-Smith LLP

Sacramento, California
November 9, 2010

FINDINGS AND RECOMMENDATIONS

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.375*	Student Financial Assistance Cluster
10.665	Forest Reserve

*Clustered

Dollar threshold used to distinguish between Type A and Type B programs:	$ 603,888	
Auditee qualified as low-risk auditee?	______ Yes	X No

STATE AWARDS

Internal control over state programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	______ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2010

INTERNAL CONTROLS

1. REVENUE AND ACCOUNTS RECEIVABLE

Criteria

Best practices for internal controls and District policies and procedures.

Condition

The following issues were noted over the cash receipt transaction cycle:

- There is no evidence of review of the parking meter cash receipt deposit report prepared by the Bursar's Office.
- There is no evidence that cash received from the parking meters is counted in dual custody.

Effect

Misappropriations of assets may occur.

Cause

The District did not have formal review procedures in place to ensure cash is counted in dual custody and to ensure evidence of review of cash receipt is documented.

Fiscal Impact

Not applicable. The items documented are recommended enhancements of internal control procedures for the revenue and accounts receivable transaction cycle.

Recommendation

We recommend the District should perform cash counts in dual custody and evidence both the dual count and other review procedures via signatures/initials and the date of performance by the individuals responsible.

Corrective Action Plan

The District has implemented the recommended procedures. The Manager of the Bursars is now reviewing all parking meter cash receipt deposit reports. Dual custody count of parking meter cash is conducted on a monthly basis.

INTERNAL CONTROLS (Continued)

2. INFORMATION SYSTEMS - CONCURRENT ENROLLMENT SYSTEM REPORTS

Criteria

Best practices for internal controls and District policies and procedures.

Condition

The Admissions and Records department was unable to generate satisfactory reports that would allow sufficient testing of concurrent enrollment. The reports generated included full-time students that were previously considered concurrently enrolled.

Effect

Inadequate reports may cause review/monitoring controls at the District to be inefficient and ineffective. In addition, inaccuracies of reports generated may lead to testing inappropriate populations.

Cause

The District could run reports that do not exclude students that were classified as concurrently enrolled who are now full-time students.

Fiscal Impact

Not applicable. The items documented are recommended enhancements of internal control procedures for the revenue and accounts receivable transaction cycle.

Recommendation

The District should review the module used to generate the list of concurrently enrolled students to ensure the reports generated are accurate and complete.

Corrective Action Plan

The finding has been corrected. The Systems and Programming Department staff have developed a report to include exclusively the enrollment of all concurrently enrolled students. An additional report extracted from Banner provides class rosters of any Physical Education class in which a concurrent enrolled student is registered.

The District's management has reviewed the reports and has concluded that they are accurate and complete.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
1. State Compliance - Attendance The Second Period Apportionment Report was not calculated correctly. The District report of attendance was not consistent with the "320 Reportable Enrollments" report, which summarizes the attendance. The District should re-submit its Second Period Apportionment Report with the corrected amounts.	Implemented.	Not applicable.
2. Internal Controls - Cash in County Reconciliation The reconciliations for funds maintained in the County Treasury were not reviewed in a timely manner by management. The District should develop a standard process for the timely review of the reconciliation of Cash in County Treasury.	Implemented.	Not applicable.
3. Internal Controls - Accounts Payable The District made a duplicate payment for a purchase order. The District should carefully review invoices to ensure duplicate payments are not processed.	Implemented.	Not applicable.
4. Internal Controls - Vacation Accruals The District did not have written approval from the Superintendent/President or designee to carry over excess vacation as required by District policy for a sample of the employees tested. The District should ensure that employees with hours above the accrual maximum prepare the "Plan to Use Vacation and Compensatory Time".	Implemented.	Not applicable.