



MATSON
& ISOM

SISKIYOU JOINT COMMUNITY
COLLEGE DISTRICT

Weed, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2012

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College District*

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MATSON
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Siskiyou Joint Community College District
Weed, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Siskiyou Joint Community College District (the District) as of June 30, 2012, and for the year then ended, which collectively 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 opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards prescribed by the California Department of Finance. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have issued our report dated February 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT

Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The remaining supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, which 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 the schedule of expenditures of State awards, which is presented for purpose of additional analysis as required by the California Community Colleges Chancellor's Office, are not a required part of the basic financial statements. This supplementary information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Matson and Isom

February 25, 2013
Redding, California

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)



SISKIYOU JOINT COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

USING THIS ANNUAL REPORT

As required by GASB accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the accounting basis used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District. The Statement of Revenues, Expenses and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by State apportionment, property taxes and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$15.8 million in 2011-12 and \$7.1 million in 2010-11. The large increase is due primarily from the construction activity associated with the District's new Science building.
- At the close of the 2012 and 2011 fiscal years, the balance designated for economic uncertainties and the undesignated fund balance for the General Fund exceeded the State Chancellor's Office guideline of five percent of the General Fund expenditures.
- Full-Time Equivalent Students (FTES) for 2011-12 and 2010-11 were 2,150 and 2,250, respectively.
- For the 2012 and 2011 fiscal years, total student financial aid offered to qualifying students throughout the District exceeded \$8.9 million and \$9.2 million, respectively, and is provided through grants and loans from the Federal government, State Chancellor's Office, and local funding.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*

- Costs of employee salaries have decreased for 2011-12 due to reorganizations, attrition, and staffing layoffs caused by State budget reductions. The cost for employee benefits exceeded budgeted levels by 8.1 percent in 2011-12 primarily due to a higher than expected claims year.
- The District continues to make its scheduled payments on the Dorm Revenue Bond and its capital equipment leases. The District issued Bond Anticipation Notes (BAN) in February 2010 to finance the completion of the Rural Health Sciences Institute. There are no required payments on the BAN until December 2013. Interest accretes on the balance over the life of the note or until the District sells the remaining bond issuance to pay off the BAN and complete future projects.
- The occupancy rate for our lodges exceeded 93 percent for 2011-12, and we continue to add new program activities to more fully engage students. The fall 2012 semester had the lodges at 100 percent occupancy with additional students being housed at a local motel in Weed.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
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Condensed district-wide financial information is as follows:

**NET ASSETS
AS OF JUNE 30**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Current Assets			
Cash, investments, and short-term receivables	\$ 2,701,187	\$ 2,716,128	\$ 3,057,590
Inventory and other assets	<u>5,431,518</u>	<u>4,240,202</u>	<u>4,109,935</u>
Total Current Assets	<u>8,132,705</u>	<u>6,956,330</u>	<u>7,167,525</u>
Non-Current Assets			
Restricted cash and investments	1,226,876	779,906	259,982
Cost of issuance	926,253	979,717	1,033,180
Capital assets, net of depreciation	28,683,444	28,688,385	29,138,726
Non-depreciable capital assets	<u>12,300,426</u>	<u>2,812,234</u>	<u>1,942,856</u>
Total Non-Current Assets	<u>43,136,999</u>	<u>33,260,242</u>	<u>32,374,744</u>
Total Assets	<u>\$ 51,269,704</u>	<u>\$ 40,216,572</u>	<u>\$ 39,542,269</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 3,325,455	\$ 2,237,719	\$ 2,214,457
Deferred revenue	1,296,451	1,188,910	1,452,015
Long-term liabilities – current portion	<u>370,872</u>	<u>326,666</u>	<u>207,896</u>
Total Current Liabilities	<u>4,992,778</u>	<u>3,753,295</u>	<u>3,874,368</u>
Non-Current Liabilities			
Long-term liabilities	<u>30,504,830</u>	<u>29,356,521</u>	<u>28,724,116</u>
Total Liabilities	<u>35,497,608</u>	<u>33,109,816</u>	<u>32,598,484</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,231,860	4,495,622	4,233,934
Restricted	2,115,175	1,630,509	1,069,698
Unrestricted	<u>(1,574,939)</u>	<u>980,625</u>	<u>1,640,153</u>
Total Net Assets	<u>15,772,096</u>	<u>7,106,756</u>	<u>6,943,785</u>
Total Liabilities and Net Assets	<u>\$ 51,269,704</u>	<u>\$ 40,216,572</u>	<u>\$ 39,542,269</u>

This schedule has been prepared from the District's Statement of Net Assets (page 17), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*

Cash and short-term investments consist primarily of funds held in the Siskiyou County Treasury and U. S. Bank. The changes in the cash position are explained in the Statement of Cash Flows (pages 19 and 20).

Long-term liabilities consist of the 2005 General Obligation Bonds, the 2010 Bond Anticipation Notes, and the Dorm Revenue Bond. The Capital Lease arrangement for several copiers was paid off in 2008 and a new lease was entered into in 2011-12. In addition, the District obtained a new note for the financing of the Banner Software. The current portion represents the amount of principal to be paid within the next year.

**OPERATING RESULTS
FOR THE YEAR ENDED JUNE 30**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING REVENUES			
Tuition and fees, net of scholarship discount and allowance	\$ 2,434,864	\$ 2,038,927	\$ 1,903,971
Grants and contracts	12,283,753	12,323,441	8,942,754
Auxiliary services	<u>640,951</u>	<u>674,877</u>	<u>769,411</u>
Total Operating Revenues	<u>15,359,568</u>	<u>15,037,245</u>	<u>11,616,136</u>
OPERATING EXPENSES			
Salaries and benefits	15,094,617	16,466,093	17,134,178
Supplies and maintenance	14,267,436	14,313,624	10,128,663
Depreciation	<u>1,283,508</u>	<u>1,143,181</u>	<u>1,180,044</u>
Total Operating Expenses	<u>30,645,561</u>	<u>31,922,898</u>	<u>28,442,885</u>
OPERATING LOSS	<u>(15,285,993)</u>	<u>(16,885,653)</u>	<u>(16,826,749)</u>
NON-OPERATING REVENUE			
State apportionments	9,967,231	11,617,895	11,660,338
Property taxes	4,792,074	4,873,491	4,584,286
Other state revenue	441,563	488,497	507,134
Interest expense (net)	(1,432,967)	(1,185,417)	(1,081,090)
Other non-operating revenues and transfers	<u>135,590</u>	<u>177,961</u>	<u>456,823</u>
Total Non-Operating Revenues	<u>13,903,491</u>	<u>15,972,427</u>	<u>16,127,491</u>
OTHER REVENUES			
State revenues, capital	<u>10,480,138</u>	<u>1,076,197</u>	<u>-</u>
NET INCREASE (DECREASE) IN NET ASSETS	\$ <u>9,097,636</u>	\$ <u>162,971</u>	\$ <u>(699,258)</u>

This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets (page 18).

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*

Auxiliary revenue consists of bookstore sales and charges. Cafeteria sales and room and board for the students is not part of auxiliary revenue, but is included in tuition and fees under operating revenues. These operations are intended to be self-supporting through student related activities.

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

For 2012, 2011, and 2010, the District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30**

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and any potential need for external financing. This schedule is prepared from the Statement of Cash Flows presented on pages 19 and 20.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
CASH PROVIDED BY (USED) IN			
Operating activities	\$ (13,026,915)	\$ (15,500,158)	\$ (16,629,398)
Noncapital financing activities	13,745,242	15,745,260	15,755,645
Capital financing activities	(388,884)	(160,796)	(728,352)
Investing activities	<u>102,586</u>	<u>293,268</u>	<u>148,057</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ <u><u>432,029</u></u>	\$ <u><u>377,574</u></u>	\$ <u><u>(1,454,048)</u></u>

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment and property taxes are the primary source of non-capital related revenue, the GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the State and not from the primary users of the Colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations. The Rural Health Sciences Institute was completed in 2010 with additional funds from the sale of Bond Anticipation Notes.

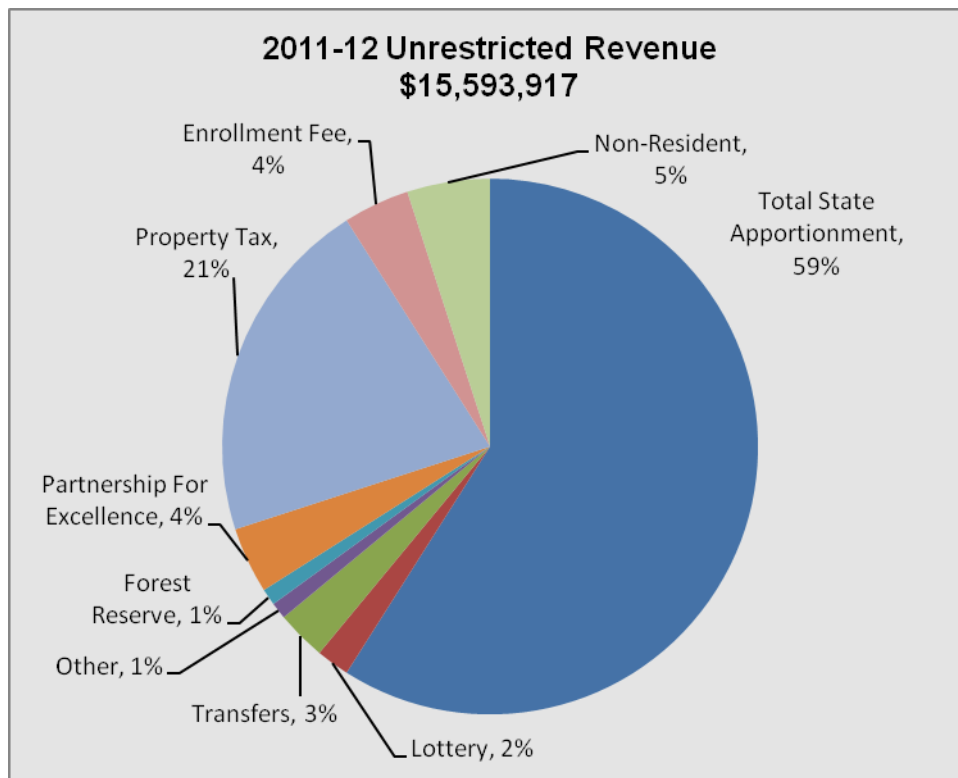
UNRESTRICTED GENERAL FUND SELECTED FINANCIAL INFORMATION

Revenues

The District's major sources of unrestricted revenues include State apportionment, property taxes, Partnership for Excellence funds, enrollment and lottery. The primary basis of the apportionment component is the calculation of full-time equivalent students (FTES).

Of the revenue sources, State apportionment, property tax, and enrollment fees are commonly referred to as District General Revenues and form the "base revenue" to which adjustments for COLA, program improvement, growth, restoration, and any applicable deficit factor is applied. Adjustments to the "base revenue" are typically calculated twice each fiscal year and distributed through the First Principle Apportionment Statement (P1) in mid-February and the Second Principle Apportionment Statement (P2) in early June of each fiscal year.

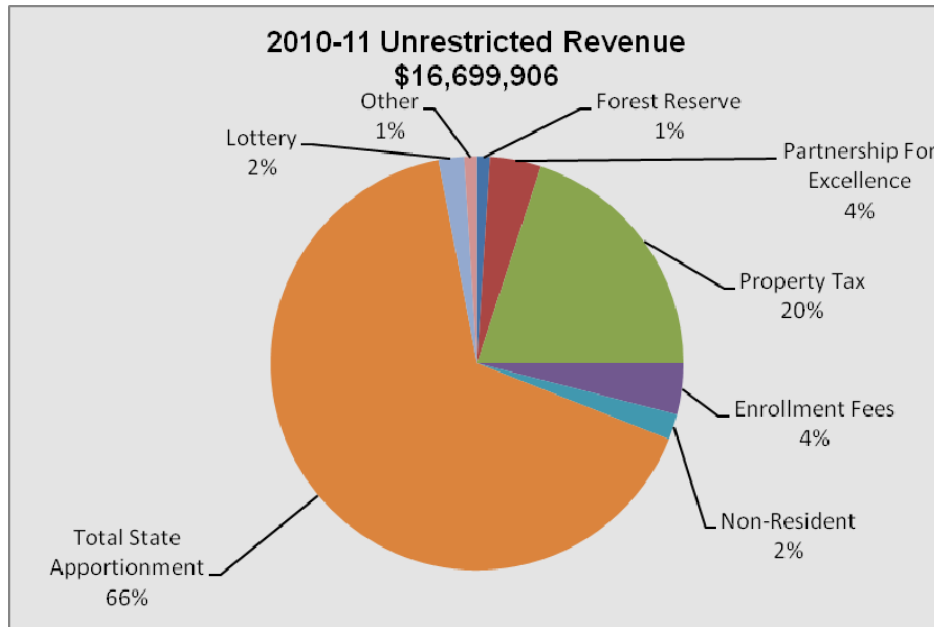
In fiscal years 2012 and 2011, the District's actual unrestricted General Fund revenues totaled \$15,593,917 and \$16,699,906, respectively.



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*



	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>
General Apportionment	\$ 9,098,879	\$ 10,733,662	\$ 10,659,878
Restoration/Decline	-	-	-
Growth	-	-	-
COLA	-	-	-
Subtotal General Apportionment	9,098,879	10,733,662	10,659,878
Property Taxes	3,291,146	3,393,506	3,546,326
Enrollment Fees	<u>552,232</u>	<u>644,197</u>	<u>542,936</u>
Total Apportionment Revenues	12,942,257	14,771,365	14,749,140
Partnership for Excellence	675,000	675,000	675,000
Lottery	291,888	360,775	398,137
Nonresident Tuition	797,149	397,464	377,958
Part-time Faculty Compensation	51,209	51,209	51,209
Forest Reserve	202,970	227,275	254,025
Transfers	400,000	-	-
Other *	<u>233,444</u>	<u>216,818</u>	<u>408,125</u>
Total Other Revenue	<u>2,651,660</u>	<u>1,928,541</u>	<u>2,164,454</u>
Total Unrestricted General Fund Revenue	<u>\$ 15,593,917</u>	<u>\$ 16,699,906</u>	<u>\$ 16,913,594</u>

*Includes community service fees, material and activity fees, indirect program fees, and miscellaneous.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*

<u>Summary of District Growth Rates</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>
Growth Cap Percent	0%	0.00%	4.11%
Total Growth Dollars Available	-	-	-
Total Growth Dollars Earned	-	-	-
Total Growth Paid by State	-	-	-
Percentage of Growth Earned	0.00%	0.00%	0.00%
Percentage of Growth Paid to Growth Earned	100.00%	100.00%	100.00%

- Part-time faculty funding, specific for the improvement of part-time salaries and benefits, was \$51,627 for 2010-11 and \$51,209 for 2011-12. However, while no COLA adjustment was added to the base funding level there are annual incremental cost increases associated with the funding, part-time faculty rates for years of service and fringe benefits costs continue to rise each fiscal year.

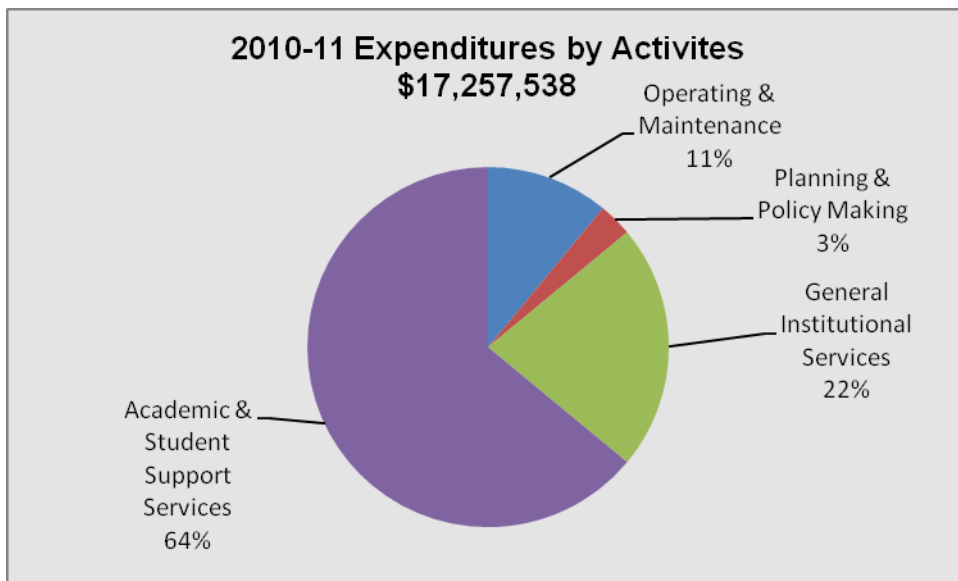
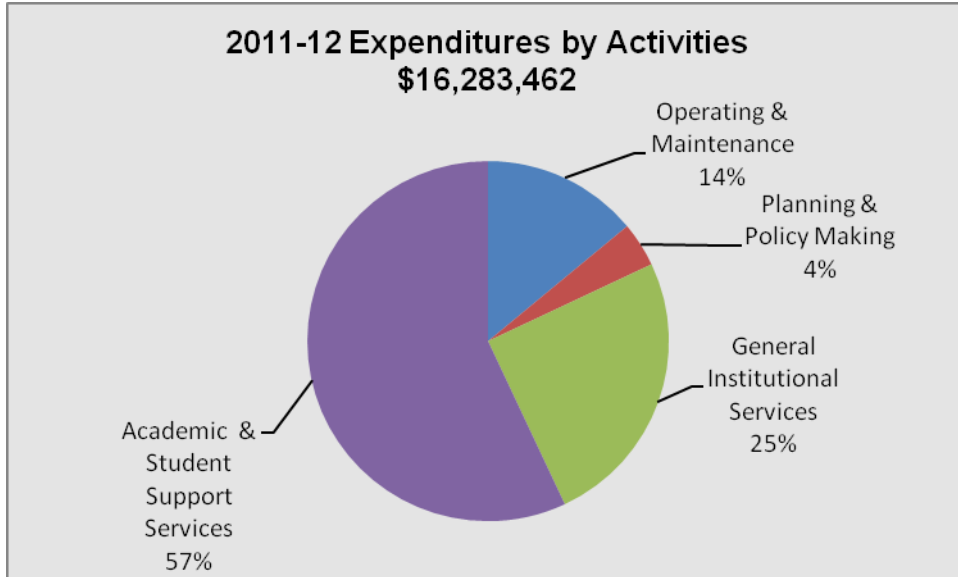
Expenditures

The District expenditures in the unrestricted General Fund were to provide classroom instruction, counseling and student support services, physical plant related activities, administration, and general support services. For the fiscal years ending June 30, 2012 and 2011, the expenditures totaled \$16,283,462 and \$17,257,538, respectively.

Expenditure by Activity

Expenditures by activity represent the District's expenditures by *category* regrouped by program activity. Academic and Student support services includes the costs for instructional and student support activities. General institutional services include Business and Administrative services, Human Resource, Information Technology, Collective Bargaining, Police, Duplicating, Insurance, and Retiree Health care costs. Operating and Maintenance is buildings and grounds. Planning and Policy Making includes the Chancellor's Office, Research and Planning, Government Relations, Public Information, and Development.

The pie chart, "Expenditures by Activities," summarizes program outlays under this definition for the 2011-12 and 2010-11 periods.



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
College District*

Expenditure Comparison by Category

The District reports expenditures by object code category in accordance with California State Chancellor's Office guidelines as follows:

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>
Academic Salaries	\$ 6,440,034	\$ 6,646,743	\$ 6,979,998
Classified Salaries	3,118,518	3,153,239	3,131,195
Benefits	<u>3,861,574</u>	<u>3,732,383</u>	<u>3,468,403</u>
Subtotal Salaries and Benefits	<u>13,420,126</u>	<u>13,532,365</u>	<u>13,579,596</u>
Books and Supplies	330,991	356,586	434,112
Services and Operating Expenses	1,943,522	2,235,898	1,939,598
Capital Outlay	122,505	85,171	89,523
Other Outgo	<u>466,318</u>	<u>1,047,518</u>	<u>460,648</u>
Subtotal	<u>2,863,336</u>	<u>3,725,173</u>	<u>2,923,881</u>
Total Expenditures	<u>\$ 16,283,462</u>	<u>\$ 17,257,538</u>	<u>\$ 16,503,477</u>

- Net expenditures for academic salaries decreased from 2011 to 2012 from a reduction of academic salaries associated with a decrease in FTES. The increase from 2010 to 2011 was primarily from a 5 percent negotiated COLA increase for the year. The classified salaries were relatively flat over the prior year
- Increased health benefit costs created an increase in fringe benefit costs from 2011 to 2012. In contrast, the decrease from 2010 to 2011 was due mostly to the freeze on all non-instructional vacant positions. As a result, the associated health benefit packages were not expensed.
- Expenditures for services and other operating expenditures increased by approximately 15 percent from 2010 to 2011 primarily from increased consulting fees, utilities, and insurance expenses. Expenditures for services and other operating expenditures decreased by approximately 8 percent from 2011 to 2012. In 2012, order to address declining revenues, the District intentionally reduced expenditures in this area. Although utility and maintenance costs continue to increase, the planned reductions in expenditures resulted in an overall decrease.
- Expenditures in "Other Outgo" include transfers to the Capital Outlay Fund (41) for scheduled maintenance matches and additional one-time improvement projects. In addition, the District was able to move \$400,000 in additional funds to the Capital Outlay Fund for 2011 in order to create a small reserve for cash flow purposes to address the deferrals associated with the State's cash flow problems. These funds were transferred back to the General Fund in 2012 to help cover a loss in FTES.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Siskiyou Joint Community
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Net Assets and Net Asset Classifications

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>
Investment in Capital Assets	\$ 15,231,860	\$ 4,495,622	\$ 4,233,934
Restricted	2,115,175	1,630,509	1,069,698
Unrestricted	<u>(1,574,939)</u>	<u>980,625</u>	<u>1,640,153</u>
Ending Net Assets	<u>\$ 15,772,096</u>	<u>\$ 7,106,756</u>	<u>\$ 6,943,785</u>

COLLEGE OF THE SISKIYOU'S AUXILIARY FOUNDATION

The Auxiliary Foundation was established as a 501(c) (3) non-profit charitable organization in 1992 to provide a vehicle for financial support from the community and beyond. Its mission includes providing students with monetary support through scholarships and work-study programs to help ensure that all students have every opportunity to achieve their educational goals. This mission is accomplished through hosting fundraising events, soliciting contributions and donations, and dispensing funds to support the educational programs and general welfare of the College of the Siskiyous.

Throughout the year, the Auxiliary Foundation hosts campus activities and a number of annual community fundraisers, including a Golf Tournament, Scholarship fundraising dinner, President's Gala, Country Christmas Holiday Craft Fair, and the Volunteer and Donor Recognition Banquet. The Eagle's Nest Resale Shop has a paid manager, but is staffed by numerous volunteers and students. All net proceeds from the Shop are used to support students and campus projects. The Eagle's Nest Resale Shop moved into a new corner location on Main Street, Weed, in May 2011, and is effectively meeting the needs of the community at its downtown location.

In addition, the Auxiliary Foundation is a fiscal sponsor for a number of the campus clubs, operates and funds the COS Performing Arts Series, manages the Scholarship Program as well as the annual staff Mini-Grant Program and the COS Extension (Community Education) Program. It is also the fiscal sponsor of the State Matrix Outcome Module (MOM) Grant for Child Abuse Prevention. The Foundation receives indirect fund support of approximately \$37,000 as the sponsor for this grant.

Quality education depends on fiscal stability, well-maintained facilities, state-of-the-art technology, and a faculty and staff that are current with new and innovative advances in their fields. In the fall of 2006, the District successfully wrote and was awarded a Title III federal grant in the amount of \$1.9 million over a five-year period. The Auxiliary Foundation raised the matching funds from individuals and businesses for an endowment to help support the maintenance and technology needs of the new Rural Health Sciences Institute. As per the grant requirements, the Foundation budgeted \$29,400 for the first years' disbursement from the endowment.

**ECONOMIC FACTORS AFFECTING THE SISKIYOU JOINT
COMMUNITY COLLEGE DISTRICT**

The economic position of College of the Siskiyous is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 86 percent of the total unrestricted resources of revenues received by the District. The District experienced a decrease in student enrollment and the State's apportionment has been limited due to the workload reduction measures limiting growth apportionment. The results for 2011-12 have allowed the District to maintain an appropriate reserve in anticipation of potential cuts from the State's budget.

The State of California is again facing huge budget deficits. The District is continuing to pursue cost saving measures to achieve efficiencies but is also looking at managing course offerings that will be the least disruptive to our students.

Under current California law, the State of California is prohibited from disbursing any funds to the community colleges until the State budget is passed. At the beginning of each fiscal year, the District will need to rely on its reserves and annual participation in the CCCFA TRAN program to ensure that it can continue to operate each summer until a State budget is ratified. While Prop 30 passage in November 2012 saved the California community college system from severe cuts, it created additional apportionment deferrals throughout the year. Forty percent of these revenues will be deferred until June 2013. The District is working with many other community colleges and the California Community College League mid-year TRAN program to secure the necessary funds to meet its on-going obligations through the deferral periods.

The College recognizes that as programs and facilities are added, financial responsibilities also increase. We also understand that state funding may not completely meet these added responsibilities. As a result, the College's Auxiliary Foundation has developed an endowment fund for the Rural Health Sciences Institute. In October of 2006, the College received a federal Title III grant. One part of that grant came in the form of a challenge grant for this endowment. The Title III grant provided \$370,000 over a five-year period that was matched dollar for dollar with new funds raised after October 1, 2006. One-half of the net earnings produced by the endowment each year may be used to support facility and program needs of the Rural Health Sciences Institute. The College of the Siskiyous' Auxiliary Foundation has successfully met the requirements of the match for the first five years and continues in its support of the Title III grant as well as serving the College and the community through various programs and events. The first contribution of this endowment was included in the District's 2012-13 budget in the amount of \$29,400.

FINANCIAL SECTION

STATEMENT OF NET ASSETS

*Siskiyou Joint Community
College District*

June 30, 2012	District	Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 411,772	\$ 169,966
Restricted cash and cash equivalents	2,289,415	-
Investments	-	2,366,657
Accounts receivable - net	5,125,247	128,766
Due from Foundation	48,638	-
Inventory and prepaids	257,633	3,151
Beneficial interest in remainder trusts	-	317,947
Total Current Assets	8,132,705	2,986,487
NONCURRENT ASSETS		
Restricted cash and cash equivalents	1,226,876	-
Deferred costs - net	926,253	-
Depreciable capital assets - net	28,683,444	-
Nondepreciable capital assets	12,300,426	-
Total Noncurrent Assets	43,136,999	-
Total Assets	\$ 51,269,704	\$ 2,986,487
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,034,770	\$ 89,786
Deferred revenue	1,296,451	-
Due to District	-	48,638
Amounts held for others	94,898	-
Estimated liability for claims and claims adjustment expense	195,787	-
Compensated absences - current portion	29,464	-
Long-term debt - current portion	341,408	-
Total Current Liabilities	4,992,778	138,424
NONCURRENT LIABILITIES		
Compensated absences - noncurrent portion	265,176	-
Other postemployment benefits obligation	1,566,105	-
Long-term debt - noncurrent portion	28,673,549	-
Total Noncurrent Liabilities	30,504,830	-
Total Liabilities	35,497,608	138,424
NET ASSETS		
Invested in capital assets - net of related debt	15,231,860	-
Restricted - expendable	2,115,175	2,006,398
Unrestricted	(1,574,939)	311,884
Permanently restricted	-	529,781
Total Net Assets	15,772,096	2,848,063
Total Liabilities and Net Assets	\$ 51,269,704	\$ 2,986,487

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

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

*Siskiyou Joint Community
College District*

Year Ended June 30, 2012	District	Foundation
OPERATING REVENUES		
Tuition and fees	\$ 3,460,006	\$ 485,265
Less: Scholarship discounts and allowances	1,025,142	-
Tuition and Fees - Net	2,434,864	485,265
Grants and contracts - noncapital:		
Federal	10,058,575	399,543
State	2,016,533	-
Local	208,645	-
Auxiliary enterprise sales and charges	640,951	-
Total Operating Revenues	15,359,568	884,808
OPERATING EXPENSES		
Salaries	10,800,394	-
Employee benefits	4,294,223	-
Supplies, materials, and other operating expenses and services	4,134,008	652,819
Payments to students	9,331,911	23,950
Utilities	801,517	-
Depreciation	1,283,508	-
Total Operating Expenses	30,645,561	676,769
Operating (Loss) Income	(15,285,993)	208,039
NONOPERATING REVENUES (EXPENSES)		
State apportionment - noncapital	9,967,231	-
Local property taxes	4,792,074	-
State taxes and other revenues	441,563	-
Investment income - noncapital	98,290	116,776
Other nonoperating revenues	135,590	-
Interest expense - capital asset-related debt	(1,531,257)	-
Total Nonoperating Revenues (Expenses)	13,903,491	116,776
Income (Loss) Before Other Revenues (Expenses)	(1,382,502)	324,815
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State revenue - capital	10,480,138	-
Increase (Decrease) in Net Assets	9,097,636	324,815
Net Assets - Beginning of Year, As Restated	6,674,460	2,523,248
Net Assets - End of Year	\$ 15,772,096	\$ 2,848,063

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

STATEMENT OF CASH FLOWS

Siskiyou Joint Community

College District

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Year Ended June 30, 2012

	District	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,457,442	\$ 493,709
Federal grants and contracts	10,252,615	271,454
State grants and contracts	1,304,039	-
Local grants and contracts	221,740	-
Payments to/on behalf of employees	(10,705,211)	-
Payments for benefits	(3,978,726)	-
Payments to suppliers	(3,029,432)	(572,675)
Payments for utilities	(801,517)	-
Payments for scholarships and grants	(9,331,911)	(23,950)
Auxiliary enterprise sales and charges	565,308	-
Other receipts (payments)	18,738	(14,375)
Net Cash Provided (Used) by Operating Activities	(13,026,915)	154,163
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionment - noncapital	9,505,740	-
Local property taxes	3,683,073	-
State taxes and other revenues	423,045	-
Other receipts	133,384	-
Net Cash Provided by Noncapital Financing Activities	13,745,242	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State revenue - capital	10,480,138	-
Local property taxes	1,109,001	-
Note proceeds	3,644	-
Purchases of capital assets	(10,766,759)	-
Interest on capital debt	(922,885)	-
Principal paid on capital debt	(292,023)	-
Net Cash Used by Capital and Related Financing Activities	(388,884)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(302,382)
Proceeds from sale of investments	-	40,015
Interest on investments	102,586	68,045
Cash Provided (Used) by Investing Activities	102,586	(194,322)
Net Increase (Decrease) in Cash and Cash Equivalents	432,029	(40,159)
Cash and Cash Equivalents Balance - Beginning of Year	3,496,034	210,125
Cash and Cash Equivalents Balance - End of Year	\$ 3,928,063	\$ 169,966

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

STATEMENT OF CASH FLOWS

*Siskiyou Joint Community
College District
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STATEMENT OF CASH FLOWS

Siskiyou Joint Community

College District

Page 2 of 2

Year Ended June 30, 2012	District	Foundation
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 411,772	\$ 169,966
Restricted cash and cash equivalents - current	2,289,415	-
Restricted cash and cash equivalents - noncurrent	1,226,876	-
Total Cash and Cash Equivalents	\$ 3,928,063	\$ 169,966
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (15,285,993)	\$ 208,039
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,283,508	-
(Gain) loss on sale of equipment	-	-
Changes in:		
Accounts receivables - net	(759,586)	(119,645)
Due from Foundation/District	14,375	-
Inventory and prepaids	(61,807)	-
Accounts payable	1,317,446	80,144
Deferred revenue	201,162	-
Amounts held for others	4,363	-
Due to Foundation/District	-	(14,375)
Estimated liability for claims and claims adjustment expense	(234,073)	-
Compensated absences	(55,880)	-
Other postemployment benefits obligation	549,570	-
Net Cash Provided (Used) by Operating Activities	\$ (13,026,915)	\$ 154,163

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of the Reporting Entity Siskiyou Joint Community College District (the District) is a community college governed by an elected seven-member Board of Trustees. The District provides educational services to the local residents of the surrounding area. The District consists of one community college located in Weed, California and a satellite campus in Yreka, California.

The District identified the College of the Siskiyous Foundation (the Foundation) as its only potential component unit. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) including Governmental Accounting Standards Board (GASB) Statement 14 as amended by GASB Statement 39. GASB Statement 39 provides three criteria for requiring a legally separate, tax-exempt organization to be discretely presented as a component unit of the reporting entity. These criteria are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance” criterion.

The Foundation was established as a legally separate, not-for-profit corporation to support the District and its students. It contributes to various scholarship funds for the benefit of District students and contributes directly to the District. The Foundation’s assets are significant to the District’s financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District’s annual financial statements.

Basis of Presentation and Accounting The financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the District’s overall financial position, results of operations and cash flows, and replaces the fund-group perspective previously required. The District now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District’s financial activities.

The basic financial statements of the Siskiyou Joint Community College District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement No. 20.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

In accordance with industry standards provided by the California Community Colleges Chancellor’s Office, summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted. Summer session expenditures through June 30 are recorded as prepaid expenses.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Siskiyou Joint Community
College District*

The financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual*.

Cash and Cash Equivalents For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the county treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County Treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

Restricted Cash and Cash Equivalents Restricted cash and cash equivalents includes amounts restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the *California Community Colleges Budget and Accounting Manual*.

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 reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance was estimated at \$143,421 for the year ended June 30, 2012.

Inventory and Prepaids Inventory consists primarily of bookstore merchandise including, but not limited to: books, instructional materials, and sundry items held for resale to students and staff of the District. Inventory is valued at average cost, which approximates market, using the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes 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 of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for buildings, 20 years for land improvements, and 5-15 years for equipment and vehicles.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Siskiyou Joint Community
College District*

Deferred Revenue Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Amounts Held for Others Amounts held for others represents funds held by the District for the Associated Students Trust Fund, Scholarship and Loan Trust Fund, and other agency funds.

Compensated Absences Accumulated and vested unpaid employee vacation benefits are recognized as liabilities of the District as the benefits are earned.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Liabilities Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Amortization of issuance costs was \$53,463 for the year ended June 30, 2012.

Net Assets Net assets represent the difference between assets and liabilities. 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 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 – Expendable: Restricted expendable net assets represent resources, which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

Classification of Revenues The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Siskiyou Joint Community
College District*

Revenues 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 Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes 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, or nongovernmental programs, are recorded as operating revenues (grants) and operating expenses (payments to students) in the District's financial statements.

State Apportionment Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors they can reasonably determine such as local property tax revenue received and changes in FTES. Any additional corrections determined by the State are recorded in the year computed by the State.

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 that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Siskiyou (the County) bills and collects the taxes for the District.

Budgets and Budgetary Accounting By state law, the District's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Siskiyou Joint Community
College District*

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by an 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 California State Teachers' Retirement System (CalSTRS) on behalf of all Community College Districts in California. These payments have not been included in the financial statements, as management believes they are immaterial to the financial statements taken as a whole.

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION

Organization The purpose of the Foundation is to accumulate funds to award scholarships to assist students while attending the District, and for designated projects. A substantial portion of the Foundation's revenue is from community donations.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Assets: Net assets subject to donor-imposed stipulations 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 any related investments for general or specific purposes.

Cash and Cash Equivalents For purpose of the statement of cash flows, the Foundation considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Investments Investments are recorded at fair value based on quoted market values. The art collection and gem investments held by the Foundation are carried at the appraised value at the time of donation, as reduced for any permanent declines in market value.

Endowment Investment and Spending Policies The Foundation's endowment consists of approximately 40 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% of the Foundation's Scholarship Endowments, while growing the funds, if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's fair market value as of the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal annual rate, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Siskiyou Joint Community
College District*

Contributions Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of Donor-Restricted Contributions Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

However, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Donated Services Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

The Foundation receives donated administrative services from the District. The value of these services was estimated at \$163,095 for the year ended June 30, 2012.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with the Thrift Shop and other program services. These services did not meet the above requirement for recognition in these financial statements and, accordingly, have not been valued or recorded.

Income Taxes The Foundation operates under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2012:

	District	Foundation
Cash and cash equivalents	\$ 411,772	\$ 169,966
Restricted cash and cash equivalents - current	2,289,415	-
Restricted cash and cash equivalents - noncurrent	1,226,876	-
Investments	-	2,366,657
Total Cash and Cash Equivalents and Investments	\$ 3,928,063	\$ 2,536,623

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Siskiyou Joint Community College District

Deposits

At June 30, 2012, the carrying amount of the District's and Foundation's deposits is summarized as follows:

	District	Foundation
Cash in County Treasury	\$ 3,500,500	\$ 169,766
Cash in banks	424,473	-
Cash on hand	3,090	200
Total	\$ 3,928,063	\$ 169,966

As provided for by *Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities was 1.93 years at June 30, 2012.

Copies of the County's audited financial statements can be obtained from the Siskiyou County Auditor-Controller's Office, 311 4th Street, Yreka, California 96097.

The pooled treasury has regulatory oversight from the Siskiyou County Treasury Oversight Committee in accordance with *California Government Code* requirements.

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% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$250,000 of the bank balances (per institution) at June 30, 2012, are insured.

Investments

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may invest in the following types of investments:

- State of California issues
- Local Agency Investment Fund (state pool) deposits
- County Treasurer
- U.S. Treasury Bonds with less than a five-year maturity
- Time Certificates of Deposit limited to \$100,000 per financial institution (Institution must be insured by FSLIC and/or FDIC, licensed by the State of California and/or the Federal Government, and located within the State of California)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Siskiyou Joint Community College District

The investment policy of the Foundation allows for investment in a variety of mutual funds and debt securities. As it relates to the gem and art collection, the Foundation intends to retain these as investments and sell the items on an as-needed basis.

As of June 30, 2012, the investments consisted of:

	<u>District</u>	<u>Foundation</u>
Mutual funds and debt securities	\$ -	\$ 2,334,122
Art and gems	-	32,535
Total Investments	\$ -	\$ 2,366,657

Risk Information

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code* Section 53601 limits the District's investments to maturities of five years. The District's investment policy is to hold investments to call or maturity to further mitigate interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally recognized organizations. The District's investment policy addresses credit risk by limiting its investment types as noted above to investments authorized by *California Government Code*. The District's investment in the county investment pool is unrated.

Concentration of Credit Risk

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District and Foundation's investment policies allow investments in a single issuer greater than 5%.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, 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% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. For investments, the District and Foundation do not have policies to address this risk.

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3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2012:

	District	Foundation
Tuition and fees	\$ 752,764	\$ -
Less: Allowance for doubtful accounts	143,421	-
Tuition and Fees - Net	609,343	-
Federal grants and contracts	135,709	128,089
State grants and contracts	1,185,073	-
Local grants and contracts	19,040	-
Auxiliary enterprise sales and charges	192,568	-
State taxes and other revenues	154,456	677
State apportionment	2,824,053	-
Investment income - noncapital	5,005	-
Total	\$ 5,125,247	\$ 128,766

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions/ Transfers	Deductions	Balance June 30, 2012
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 199,350	\$ -	\$ -	\$ 199,350
Construction in progress	2,612,884	9,488,192	-	12,101,076
DEPRECIATED CAPITAL ASSETS				
Land improvements	9,826,492	42,631	-	9,869,123
Buildings	25,845,296	-	-	25,845,296
Vehicles	227,501	48,396	15,015	260,882
Equipment	2,511,730	1,187,540	-	3,699,270
Total Capital Assets	41,223,253	10,766,759	15,015	51,974,997
Less: Accumulated depreciation	9,722,634	1,283,508	15,015	10,991,127
Total Capital Assets - Net	\$ 31,500,619	\$ 9,483,251	\$ -	\$ 40,983,870

Included within equipment above is equipment under capital lease with a cost of \$81,868 and accumulated depreciation of \$15,691 at June 30, 2012.

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5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	District	Foundation
Accrued payroll and related liabilities	\$ 755,948	\$ -
Interest payable	356,047	-
Retainage payable	468,020	-
Other	1,454,755	89,786
Total	\$ 3,034,770	\$ 89,786

6. SHORT-TERM DEBT

The District participated in the California Community College Financing Authority 2012 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Drawn	Repaid	Balance June 30, 2012
Participation in California Community College Financing Authority 2012 Tax and Revenue Anticipation Bonds	\$ -	\$ 1,450,000	\$ 1,450,000	\$ -

7. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions/ Accretions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligation bonds:					
Dorm revenue	\$ 81,000	\$ -	\$ 11,000	\$ 70,000	\$ 11,000
Measure A - Series A	15,323,059	53,932	130,000	15,246,991	175,000
Measure A - Series B and C	11,877,037	462,211	80,000	12,259,248	80,000
Bond anticipation note	1,125,537	38,765	-	1,164,302	-
Software financing	272,782	-	56,200	216,582	58,635
Copier leases	69,013	3,644	14,823	57,834	16,773
Total Long-Term Debt	28,748,428	558,552	292,023	29,014,957	341,408
Other long-term liabilities:					
Compensated absences	350,520	356,568	412,448	294,640	29,464
Other postemployment benefits	1,016,535	549,570	-	1,566,105	-
Total	\$ 30,115,483	\$ 1,464,690	\$ 704,471	\$ 30,875,702	\$ 370,872

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<p>The dormitory Revenue Bonds were issued in 1968 in the amount of \$336,000 for the construction of a two-story dormitory. The bonds are secured by a first lien on and pledge of the net revenues to be derived from the operation and ownership of the Juniper and Ponderosa dormitories. The bonds mature through 2018 and accrue interest at 3%.</p>	<p>\$ 70,000</p>
<p>2005 General Obligation Bonds, Series A, were issued in May 2006 in the original amount of \$14,997,976, and include both current interest bonds and capital appreciation bonds. The bonds are for the purpose of financing the acquisition, construction, modernization and renovation of the District facilities. The bonds are payable solely from the proceeds of ad valorem taxes. Final maturity of all bonds is 2030. The interest rate ranges from 4% to 5%.</p>	<p>14,877,564</p>
<p>2005 General Obligation Bonds, Series B and C, were issued in April 2008 in the original amount of \$9,998,688, and include both current interest bonds and capital appreciation bonds. The bonds are for the purpose of financing the acquisition, construction, modernization and renovation of the District facilities. The bonds are payable solely from the proceeds of ad valorem taxes. Final maturity of all bonds is 2047. The interest rate ranges from 3% to 6%.</p>	<p>11,660,544</p>
<p>2010 General Obligation Bond Anticipation Notes were issued in February 2010 in the original amount of \$998,755. The notes were issued to fund bond project expenditures which were to be paid with General Obligation Bonds, Series D. These notes will be repaid with the proceeds of General Obligation Bonds, Series D, in 2013. The note is payable in full in December 2013.</p>	<p>1,135,464</p>
<p>Note payable with Bank of America entered into in December 2010 in the original amount of \$300,000. The borrowed funds were for the purpose of purchasing a new accounting software system. Payments in the amount of \$5,559 are due monthly, including interest at 4.25%. The note matures in December 2015.</p>	<p>216,582</p>
<p>Capital lease with Office Equipment Leasing entered into in July 2010 in the original amount of \$81,868. The borrowed funds were for the purpose of purchasing copier equipment. Payments in the amount of \$1,800 are due monthly, including interest at 11.5%. The lease matures in June 2015.</p>	<p>54,600</p>
<p>Capital lease with Office Equipment Leasing entered into in September 2011 in the original amount of \$3,644. The borrowed funds were for the purpose of purchasing copier equipment. Payments in the amount of \$83 are due monthly, including interest at 12.82%. The lease matures in September 2016.</p>	<p>3,234</p>
<p>Premium on 2005 General Obligation Bonds (Series A)</p>	<p>369,427</p>
<p>Premium on 2005 General Obligation Bonds (Series B and C)</p>	<p>598,704</p>
<p>Premium on 2010 General Obligation Bond Anticipation Notes</p>	<p>28,838</p>
<p>Long-Term Debt - Net</p>	<p>29,014,957</p>
<p>Less: Current portion</p>	<p>341,408</p>
<p>Total Long-Term Debt - Noncurrent Portion</p>	<p>\$ 28,673,549</p>

**NOTES TO THE FINANCIAL
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Accretion

The 2005 General Obligation Bonds (Series A, B, and C) and the bond anticipation note have been increased to include accretion of the capital appreciation bonds. Annual accretion is recognized as interest expense in the statement of activities.

The annual debt service requirements to maturity on the long-term debt issues are as follows:

Year Ending June 30	Bonds and Notes Payable			Bond	Total
	Principal	Interest	Total	Premium	
2013	\$ 341,408	\$ 870,077	\$ 1,211,485	\$ 66,731	\$ 1,278,216
2014	1,389,746	1,081,002	2,470,748	37,893	2,508,641
2015	279,736	841,380	1,121,116	37,893	1,159,009
2016	236,909	1,039,238	1,276,147	37,893	1,314,040
2017	205,348	1,078,157	1,283,505	37,893	1,321,398
2018-2022	3,138,000	3,841,633	6,979,633	189,465	7,169,098
2023-2027	5,285,000	2,912,248	8,197,248	189,465	8,386,713
2028-2032	6,770,300	2,910,153	9,680,453	166,580	9,847,033
2033-2037	1,682,205	9,993,161	11,675,366	75,885	11,751,251
2038-2042	4,198,811	9,792,273	13,991,084	73,150	14,064,234
2043-2047	1,839,558	14,701,577	16,541,135	73,150	16,614,285
2048	337,814	1,623,593	1,961,407	10,971	1,972,378
Total	\$ 25,704,835	\$ 50,684,492	76,389,327	996,969	77,386,296
Less: Interest (excluding accretion of \$2,313,153)			<u>48,371,339</u>	<u>-</u>	<u>48,371,339</u>
Principal - Net			<u>\$ 28,017,988</u>	<u>\$ 996,969</u>	<u>\$ 29,014,957</u>

Other Postemployment Benefits (OPEB)

The District's actuarially determined annual required contribution for the year ended June 30, 2012, was \$943,606, and contributions made by the District during the year ended June 30, 2012, were \$383,275. This resulted in a net OPEB obligation of \$1,566,105 at June 30, 2012. See note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing 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.

California State Teachers' Retirement System

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% or more in a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50% or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. 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, 100 Waterfront Place, Sacramento, California 95605.

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement 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 2% 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. While early retirement can reduce the 2% age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied.

Disability benefits are generally the maximum of 50% of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90% of final compensation. After five years of credited service, members become 100% 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.

At June 30, 2012, the District employed 90 certificated employees with a total annual payroll of \$5,476,414.

Funding Policy

Active plan members are required to contribute 8.0% of their gross salary and 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 Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal years ended June 30, 2012, 2011, and 2010, was 8.25% of annual payroll. State statutes establish the contribution requirements of the plan members. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$451,804, \$476,418, and \$471,720, respectively, and equaled 100% of the required contributions each year.

California Public Employees Retirement System

Plan Description

All full-time classified employees participate in the CalPERS, an agent 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. The Siskiyou Joint Community College District is part of a "cost-sharing" pool within CalPERS. 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% of final compensation for each year of service credit.

Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5% at age 63 with an increased rate. 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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security) and 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 CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2012, 2011, and 2010, was 10.923%, 10.707%, and 9.709%, respectively, of annual payroll. State statutes establish the contribution requirements of the plan members. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$394,818, \$393,918, and \$387,351, respectively, and equaled 100% of the required contributions each year.

9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements will not be material.

10. RISK MANAGEMENT

The District is a member of the Northern California Community Colleges Self-Insurance Authority (the Authority). The Authority is a member of the State Wide Association of Community Colleges Joint Powers Authority (SWACC). The Authority provides for a risk-sharing plan whereby the member districts share in the claims costs as well as the administrative costs of providing property and liability coverages. Financial statements are available from each Authority upon request.

Coverage includes property, liability, and workers' compensation insurance. Liability losses in excess of the District's \$1,000 retention amount are covered through the SWACC up to \$25,000,000 per occurrence. In November 2009, the District dropped its independent membership in the Schools Excess Liability Fund (SELF) in order to obtain seamless liability coverage through the SWACC. Property losses in excess of the District's \$1,000 retention amount are covered up to the District's total insurable values. Workers' compensation losses are fully insured. There has been no significant reduction in any of the insurance coverages from prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

The District has a self-insured health insurance plan, which covers all eligible employees. Annual expenses in excess of the District's self-insured retention of \$100,000 per employee up to \$1,900,000 per employee are covered by excess insurance through a stop loss carrier.

11. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Siskiyou Joint Community College District Post-Retirement Health Benefits Plan (the Plan) is a single-employer OPEB plan administered by the District. Administrators, academic, and administrative support management employees hired prior to July 1, 1992, classified employees hired prior to December 1, 1992, and Board members elected between January 1, 1981, and January 1, 1995, may receive benefits from age 55 to age 65. The District pays 100% of the eligible retirees' medical plan premiums. Before receiving benefits, academic, administrative support management, and classified employees must have ten years of service with the District. Board members must serve a minimum of 12 years with the District. All employees and board members with 20 or more years of service are eligible to receive District paid medical benefits from the date of retirement for the remainder of their lives.

As of June 30, 2012, the District has 25 active employees who are eligible for post-retirement health benefits, and 66 retiree who receive post-retirement health benefits.

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Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. Additionally, the District has established an irrevocable trust (the "Trust") with Union Bank of California through the Retiree Health Benefit Program Joint Powers Authority to prefund a portion of the retiree health benefit costs. For the year ended June 30, 2012, the District contributed \$383,275 to the Plan.

Annual OPEB Cost and Net Other Postemployment Benefit Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. 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 accrued liabilities (UAAL) or funding costs over a period of 30 years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30, 2012:

Annual required contribution (ARC)	\$ 943,606
Adjustment to ARC	(81,919)
Interest on net OPEB obligation	71,158
Annual OPEB Cost	932,845
Contributions	(383,275)
Change in Net OPEB Obligation	549,570
Net OPEB Obligation - Beginning of Year	1,016,535
Net OPEB Obligation - End of Year	\$ 1,566,105

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2010, 2011, and 2012 is as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Deferred Charge)
June 30, 2010	\$ 735,931	\$ 456,296	62%	\$ 744,660
June 30, 2011	\$ 749,809	\$ 477,934	64%	\$ 1,016,535
June 30, 2012	\$ 932,845	\$ 383,275	41%	\$ 1,566,105

NOTES TO THE FINANCIAL STATEMENTS

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Funded Status and Funding Progress

The funded status of the Plan as of the actuarial valuation dates below, was as follows:

	December 1, 2011
Actuarial accrued liability (AAL)	\$ 11,486,032
Actuarial value of plan assets	1,036,544
Unfunded Actuarial Accrued Liability (UAAL)	\$ 10,449,488
Funded ratio (actuarial value of plan assets/AAL)	9.02%
Covered payroll (active members)	\$ 1,727,662
UAAL as a Percentage of Covered Payroll	604.83%

During the year ended June 30, 2009, the District set aside approximately \$1,052,325 in an external trust fund. The fair value of the trust fund was approximately \$718,870 at June 30, 2012.

Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability 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 to past expectations and new estimates are made about the future.

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 includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits 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 December 1, 2011, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 7.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 3.0% price inflation and a 3.0% wage inflation assumptions were used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized over a 30-year period using the flat dollar amount method. The actuarial value of assets was determined using a 15-year smoothing formula subject to a 20% corridor around market value.

12. EMPLOYEE RETIREMENT INCENTIVE PLAN

In 2012, the District offered retirement incentives to eligible employees. The incentive provided \$2,000 for each full-time year of service with the District but no more than 50% of the employee's last annual base salary up to a maximum of \$50,000. Seven employees accepted this offer. The total cost to the District was \$197,555. Of this amount, \$19,748 was paid during the year ended June 30, 2012, and the balance of \$177,806 will be paid during the 2012-2013 fiscal year. The liability of \$177,806 has been recorded as accounts payable on the statement of net assets.

13. PRIOR-PERIOD ADJUSTMENT

The net assets as of the beginning of the 2011-12 fiscal year were restated for an error related to accretion on the 2005 General Obligation Bonds, Series B and C.

	Net Assets
June 30, 2011, Net Assets - As Previously Reported	\$ 7,106,756
Additional accretion adjustment	(432,296)
June 30, 2011, Net Assets - As Previously Restated	\$ 6,674,460

During the current year, it was determined that accretion on the 2005 General Obligation Bonds, Series B and C, had been under accrued in the amount of \$432,296.

The above adjustment had no impact on the current year operations/change in net assets. The effect of this change decreases beginning net assets and increases the amount due under the related obligation by \$432,296.

14. SUBSEQUENT EVENT

In November 2012, the District borrowed \$1,090,514 from Bank of America to finance short-term cash flow needs to complete the Science Building project. The borrowing will be amortized over five years, but the District has the option to repay the loan in full after a 24-month "blackout" period. The District anticipates repaying the loan once it receives reimbursements from the State in June 2013.

15. BENEFICIAL INTEREST IN REMAINDER TRUSTS - FOUNDATION

Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are available for the beneficiaries' use, subject to donor-imposed restrictions. Assets held in charitable remainder trusts are reported at fair value in the Foundation's statement of financial position. Changes in fair value of charitable remainder trusts are reflected as changes in temporarily restricted net assets in the Foundation's statement of activities.

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The Foundation has been named as the irrevocable remainder beneficiary of two charitable remainder trusts (the trusts are administered by a third party). At June 30, 2012, the present value of the future benefits was calculated using a discount rate of 1.2%, estimated rate of return of 1.2%, and applicable mortality tables.

Assets held in all charitable remainder trusts at June 30, 2012, totaled \$317,947, and are reported at fair value in the Foundation's statement of financial position.

16. INVESTMENT INCOME – FOUNDATION

A summary of return on investments consisted of the following for the year ended June 30, 2012:

Interest and dividends	\$ 68,044
Change in value of CRAT	(27,809)
Net realized and unrealized gain (loss)	76,541
Total Investment Income (Loss)	\$ 116,776

17. SPECIAL EVENTS – FOUNDATION

The following is a summary of special events:

Year Ended June 30, 2012	Golf Tournament	Craft Fair	Total
Gross revenue	\$ 12,746	\$ 5,148	\$ 17,894
Expenses	7,132	1,019	8,151
Total	\$ 5,614	\$ 4,129	\$ 9,743

18. TEMPORARILY RESTRICTED NET ASSETS - FOUNDATION

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$ 353,546
Rural Health Sciences Training Institute	1,283,210
Beneficial interest in remainder trusts	317,947
Other programs	51,695
Total	\$ 2,006,398

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19. PERMANENTLY RESTRICTED NET ASSETS – FOUNDATION

Permanently restricted net assets are invested for the following purposes:

Scholarships	\$ 529,781
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20. ENDOWMENTS – FOUNDATION

Endowment net asset composition by type of fund as of June 30, 2012, is as follows:

	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total Net Endowment Assets
Donor-restricted endowment funds:				
Scholarships	\$ -	\$ 353,546	\$ 529,781	\$ 883,327
Title III	-	1,283,210	-	1,283,210
Board-designated endowment funds	16,074	-	-	16,074
Total Endowment Funds	\$ 16,074	\$ 1,636,756	\$ 529,781	\$ 2,182,611
Endowment net assets - beginning of year	\$ 11,078	\$ 1,299,509	\$ 520,780	\$ 1,831,367
Contributions	10,018	241,896	9,001	260,915
Investment income	237	49,928	-	50,165
Net appreciation (depreciation)	741	70,080	-	70,821
Amounts appropriated for expenditure	(6,000)	(24,657)	-	(30,657)
Endowment Net Assets - End of Year	\$ 16,074	\$ 1,636,756	\$ 529,781	\$ 2,182,611

21. ENDOWMENTS – FOUNDATION

Donor-restricted scholarship endowment funds consist of permanently restricted contributions received for various scholarship programs. Earnings on these endowments are used for the payment of scholarships under the various programs. Donor-restricted Title III endowment funds are federal grant receipts (and matching contributions) which are to be held for a period of 20 years. Earnings on these funds are to be spent on maintenance of the Rural Health Science Institute. At the end of the 20 year period, the grant proceeds and matching contributions are available to be used to pay various Rural Health Science Institute related expenditures.

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22. FAIR VALUE MEASUREMENTS – FOUNDATION

Fair values of assets measured on a recurring basis at June 30, 2012, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds and debt securities	\$ 2,334,122	\$ 2,334,122	\$ -	\$ -
Beneficial interest in CRAT	317,947	-	-	317,947
Total	\$ 2,652,069	\$ 2,334,122	\$ -	\$ 317,947

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beginning of Year - July 1, 2011	\$ 345,756
Total gains or losses (realized/unrealized)	(27,809)
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	-
End of Year - June 30, 2012	\$ 317,947

SUPPLEMENTARY INFORMATION SECTION

ORGANIZATION STRUCTURE

June 30, 2012

Siskiyou Joint Community

College District

The District, a political subdivision of the State of California, was established on May 17, 1957. Its territories encompass portions of Siskiyou and Shasta Counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocations training.

GOVERNING BOARD

Name	Office	Term Expires
Mr. Robert Rice	President	2016
Mr. Barry Ohlund	Vice President	2016
Mrs. Penny Heilman	Member	2014
Mr. Jim Hardy	Member	2014
Mr. Gregory Hanna	Member	2016
Mr. Alan Dyar	Member	2014
Ms. Carol Cupp	Member	2016

ADMINISTRATION

Mr. Randall Lawrence
Superintendent/President

Dr. Robert Frost
Vice President, Student Learning

Mr. Steve Crow
Vice President, Administrative and Information Services

**SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT**

*Siskiyou Joint Community
College District*

June 30, 2012

The full-time equivalent resident students (FTES) eligible for 2011-12 state apportionment reported to the Chancellor's Office as of June 30, 2012, are summarized below:

	Reported Data
SUMMER INTERSESSION (Summer 2011 only)	
Noncredit	-
Credit	72
SUMMER INTERSESSION (Summer 2012 - Prior to July 1, 2012)	
Noncredit	-
Credit	121
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly census contact hours	1,146
Daily census contact hours	180
Actual Hours of Attendance Procedure Courses	
Noncredit	85
Credit	200
Alternative Attendance Accounting Procedure	
Weekly census procedure courses	240
Daily census procedure courses	106
Total FTES	2,150
SUPPLEMENTARY INFORMATION (Subset of above information)	
In-Service training courses (FTES)	13
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	60
Credit	142
CDCP NONCREDIT FTES	-

See the accompanying notes to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

June 30, 2012

*Siskiyou Joint Community
College District*

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS		
U.S. DEPARTMENT OF EDUCATION		
Financial Aid Cluster		
Federal Supplemental Education Opportunity Grants	84.007	\$ 52,509
Federal Direct Student Loans	84.268	4,013,122
Federal Work-Study Program	84.033	62,402
Federal Pell Grant Program	84.063	<u>4,679,720</u>
Total Financial Aid Cluster		<u>8,807,753</u>
TRIO Cluster		
Student Support Services	84.042	245,992
Upward Bound	84.047	<u>310,431</u>
Total TRIO Cluster		<u>556,423</u>
Passed Through State Department of Education		
Vocational Education - Basic Grants to States	84.048	<u>124,572</u>
Total Passed Through State Department of Education		<u>124,572</u>
Title III		
VTEA Transitions	84.013A 84.048	<u>199,321</u> <u>41,787</u>
Total U.S. Department of Education		<u>9,729,856</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Siskiyou County Department of Education		
National Forest - Dependent Rural Communities	10.670	<u>202,970</u>
Total U.S. Department of Agriculture		<u>202,970</u>
U.S. DEPARTMENT OF LABOR		
Passed Through Chancellor's Office		
WIA Adult Program	17.258	<u>115,851</u>
Total U.S. Department of Labor		<u>115,851</u>
Total Expenditures of Federal Awards		<u>\$ 10,048,677</u>

See the accompanying notes to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
STATE AWARDS**

June 30, 2012

*Siskiyou Joint Community
College District*

June 30, 2012	Cash Received	Accounts Receivable	Deferred Income	Total	Program Expenditures
CalWORKS	\$ 56,943	\$ 21,449	\$ (31,060)	\$ 47,332	\$ 47,332
TANF	24,431	-	(5,394)	19,037	19,037
Part-time faculty parity	51,627	-	-	51,627	51,627
CTE	-	-	18,449	18,449	18,449
SFAA	148,904	-	6,615	155,519	155,519
Matriculation	77,929	-	23	77,952	77,952
Basic skills	90,000	-	21,311	111,311	111,311
Instructional equipment	11,906	7,033	15,215	34,154	34,154
Staff diversity	3,906	-	1,641	5,547	5,547
DSP&S	208,461	-	(2,763)	205,698	205,698
E.O.P.S	277,906	-	(172)	277,734	277,734
C.A.R.E	42,978	-	28	43,006	43,006
All other categorical	869,746	89,078	45,051	1,003,875	1,003,875
Total State Programs	\$ 1,864,737	\$ 117,560	\$ 68,944	\$ 2,051,241	\$ 2,051,241

See the accompanying notes to the supplementary information.

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

*Siskiyou Joint Community
College District*

Page 1 of 2

June 30, 2012

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Measure A Interest and Redemption Fund</u>	<u>Cafeteria Fund</u>	<u>Balance Forward</u>
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Fund Balances	\$ 1,334,698	\$ 54,927	\$ 1,984,915	\$ 108,355	\$ 3,482,895
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District identified adjustments	-	-	-	-	-
Audit adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	-	-	-
Net Adjustments and Reclassifications	-	-	-	-	-
June 30, 2012, Audited Financial Statement Fund Balances	\$ 1,334,698	\$ 54,927	\$ 1,984,915	\$ 108,355	\$ 3,482,895

See the accompanying notes to the supplementary information.

	<u>Balance Brought Forward</u>	<u>Dormitory Revenue Fund</u>	<u>Dormitory Repair and Replacement Fund</u>	<u>Capital Outlay Fund</u>	<u>Balance Forward</u>
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Fund Balances	\$ 3,482,895	\$ (198,356)	\$ 30,865	\$ 550,003	\$ 3,865,407
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District identified adjustments	-	-	-	-	-
Audit adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	1	(3)	(2)
Net Adjustments and Reclassifications	-	-	1	(3)	(2)
June 30, 2012, Audited Financial Statement Fund Balances	\$ 3,482,895	\$ (198,356)	\$ 30,866	\$ 550,000	\$ 3,865,405

See the accompanying notes to the supplementary information.

	<u>Balance Brought Forward</u>	<u>Measure A Construction Fund</u>	<u>Bookstore Fund</u>	<u>Self-Insurance Fund</u>	<u>Balance Forward</u>
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Fund Balances	\$ 3,865,407	\$ 57,989	\$ (31,935)	\$ 1,557,002	\$ 5,448,463
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District identified adjustments	-	-	-	(718,869)	(718,869)
Audit adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(2)	1	-	(1)	(2)
Net Adjustments and Reclassifications	(2)	1	-	(718,870)	(718,871)
June 30, 2012, Audited Financial Statement Fund Balances	\$ 3,865,405	\$ 57,990	\$ (31,935)	\$ 838,132	\$ 4,729,592

See the accompanying notes to the supplementary information.

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

*Siskiyou Joint Community
College District
Page 2 of 2*

June 30, 2012

	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Balance Forward
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 5,448,463	\$ 23,398	\$ -	\$ 25,316	\$ 5,497,177
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District identified adjustments	(718,869)	-	8,083	-	(710,786)
Audit adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	(23,398)	-	(25,316)	(48,714)
Rounding	(2)	-	-	-	(2)
Net Adjustments and Reclassifications	(718,871)	(23,398)	8,083	(25,316)	(759,502)
June 30, 2012, Audited Financial Statement Fund Balances	\$ 4,729,592	\$ -	\$ 8,083	\$ -	\$ 4,737,675

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Other Agency Funds	Total District Funds
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 5,497,177	\$ 8,084	\$ 5,505,261
Adjustment and reclassifications increasing (decreasing) the fund balance:			
District identified adjustments	(710,786)	-	(710,786)
Audit adjustments	-	-	-
Reclassification of amounts held for others	(48,714)	(8,084)	(56,798)
Rounding	(2)	-	(2)
Net Adjustments and Reclassifications	(759,502)	(8,084)	(767,586)
June 30, 2012, Audited Financial Statement Fund Balances	\$ 4,737,675	\$ -	\$ 4,737,675

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET -
DISTRICT FUNDS INCLUDED IN
THE REPORTING ENTITY**

June 30, 2012	General Fund	Bond Interest and Redemption Fund	Measure A Interest and Redemption Fund	Cafeteria Fund	Balance Forward
ASSETS					
Cash and cash equivalents	\$ 341,021	\$ 10,461	\$ 2,335,957	\$ 25,773	\$ 2,713,212
Accounts receivable - net	3,740,277	116	5,005	164,884	3,910,282
Due from other funds	(205,497)	48,034	-	-	(157,463)
Due from Foundation	48,638	-	-	-	48,638
Inventory and prepaids	65,564	-	-	-	65,564
Total Assets	\$ 3,990,003	\$ 58,611	\$ 2,340,962	\$ 190,657	\$ 6,580,233
LIABILITIES					
Accounts payable	\$ 1,391,970	\$ 3,684	\$ 356,047	\$ 6,229	\$ 1,757,930
Deferred revenue	1,263,335	-	-	-	1,263,335
Due to other funds	-	-	-	76,073	76,073
Amounts held for others	-	-	-	-	-
Estimated liability for claims and claims adjustment expense	-	-	-	-	-
Total Liabilities	2,655,305	3,684	356,047	82,302	3,097,338
FUND EQUITY					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	54,927	1,984,915	-	2,039,842
Reserved for capital outlay	-	-	-	-	-
Unreserved:					
Undesignated	1,334,698	-	-	108,355	1,443,053
Total Fund Equity (Deficit)	1,334,698	54,927	1,984,915	108,355	3,482,895
Total Liabilities and Fund Equity (Deficit)	\$ 3,990,003	\$ 58,611	\$ 2,340,962	\$ 190,657	\$ 6,580,233

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET -
DISTRICT FUNDS INCLUDED IN
THE REPORTING ENTITY**

*Siskiyou Joint Community
College District
Page 2 of 5*

June 30, 2012	Balance Brought Forward	Dormitory Revenue Fund	Dormitory Repair and Replacement Fund	Capital Outlay Fund	Balance Forward
ASSETS					
Cash and cash equivalents	\$ 2,713,212	\$ 9,593	\$ 30,809	\$ 142,097	\$ 2,895,711
Accounts receivable - net	3,910,282	155,473	57	313,207	4,379,019
Due from other funds	(157,463)	-	-	281,985	124,522
Due from Foundation	48,638	-	-	-	48,638
Inventory and prepaids	65,564	-	-	-	65,564
Total Assets	\$ 6,580,233	\$ 165,066	\$ 30,866	\$ 737,289	\$ 7,513,454
LIABILITIES					
Accounts payable	\$ 1,757,930	\$ 2,917	\$ -	\$ 187,289	\$ 1,948,136
Deferred revenue	1,263,335	-	-	-	1,263,335
Due to other funds	76,073	360,505	-	-	436,578
Amounts held for others	-	-	-	-	-
Estimated liability for claims and claims adjustment expense	-	-	-	-	-
Total Liabilities	3,097,338	363,422	-	187,289	3,648,049
FUND EQUITY					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	2,039,842	-	-	-	2,039,842
Reserved for capital outlay	-	-	30,866	154,225	185,091
Unreserved:	-	-	-	-	-
Undesignated	1,443,053	(198,356)	-	395,775	1,640,472
Total Fund Equity (Deficit)	3,482,895	(198,356)	30,866	550,000	3,865,405
Total Liabilities and Fund Equity (Deficit)	\$ 6,580,233	\$ 165,066	\$ 30,866	\$ 737,289	\$ 7,513,454

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET -
DISTRICT FUNDS INCLUDED IN
THE REPORTING ENTITY**

June 30, 2012	Balance Brought Forward	Measure A Construction Fund	Bookstore Fund	Self- Insurance Fund	Balance Forward
ASSETS					
Cash and cash equivalents	\$ 2,895,711	\$ 480,300	\$ 31,332	\$ 370,495	\$ 3,777,838
Accounts receivable - net	4,379,019	550,684	136,250	4,338	5,070,291
Due from other funds	124,522	10,937	-	702,637	838,096
Due from Foundation	48,638	-	-	-	48,638
Inventory and prepaids	65,564	-	192,069	-	257,633
Total Assets	\$ 7,513,454	\$ 1,041,921	\$ 359,651	\$ 1,077,470	\$ 9,992,496
LIABILITIES					
Accounts payable	\$ 1,948,136	\$ 983,931	\$ 8,626	\$ 43,551	\$ 2,984,244
Deferred revenue	1,263,335	-	-	-	1,263,335
Due to other funds	436,578	-	382,960	-	819,538
Amounts held for others	-	-	-	-	-
Estimated liability for claims and claims adjustment expense	-	-	-	195,787	195,787
Total Liabilities	3,648,049	983,931	391,586	239,338	5,262,904
FUND EQUITY					
Retained earnings (deficit)	-	-	(31,935)	838,132	806,197
Fund balances:					
Reserved for debt service	2,039,842	-	-	-	2,039,842
Reserved for capital outlay	185,091	57,990	-	-	243,081
Unreserved:					
Undesignated	1,640,472	-	-	-	1,640,472
Total Fund Equity (Deficit)	3,865,405	57,990	(31,935)	838,132	4,729,592
Total Liabilities and Fund Equity (Deficit)	\$ 7,513,454	\$ 1,041,921	\$ 359,651	\$ 1,077,470	\$ 9,992,496

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET -
DISTRICT FUNDS INCLUDED IN
THE REPORTING ENTITY**

June 30, 2012	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Balance Brought Forward
ASSETS					
Cash and cash equivalents	\$ 3,777,838	\$ 18,471	\$ 72,535	\$ 30,536	\$ 3,899,380
Accounts receivable - net	5,070,291	2,644	44,535	1,962	5,119,432
Due from other funds	838,096	4,063	-	-	842,159
Due from Foundation	48,638	-	-	-	48,638
Inventory and prepaids	257,633	-	-	-	257,633
Total Assets	\$ 9,992,496	\$ 25,178	\$ 117,070	\$ 32,498	\$ 10,167,242
LIABILITIES					
Accounts payable	\$ 2,984,244	\$ 491	\$ 46,794	\$ -	\$ 3,031,529
Deferred revenue	1,263,335	1,288	31,828	-	1,296,451
Due to other funds	819,538	-	30,365	7,182	857,085
Amounts held for others	-	23,399	-	25,316	48,715
Estimated liability for claims and claims adjustment expense	195,787	-	-	-	195,787
Total Liabilities	5,262,904	25,178	108,987	32,498	5,429,567
FUND EQUITY					
Retained earnings (deficit)	806,197	-	-	-	806,197
Fund balances:					
Reserved for debt service	2,039,842	-	-	-	2,039,842
Reserved for capital outlay	243,081	-	-	-	243,081
Unreserved:					
Undesignated	1,640,472	-	8,083	-	1,648,555
Total Fund Equity (Deficit)	4,729,592	-	8,083	-	4,737,675
Total Liabilities and Fund Equity (Deficit)	\$ 9,992,496	\$ 25,178	\$ 117,070	\$ 32,498	\$ 10,167,242

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET -
DISTRICT FUNDS INCLUDED IN
THE REPORTING ENTITY**

*Siskiyou Joint Community
College District
Page 5 of 5*

June 30, 2012	Balance Brought Forward	Other Agency Funds	Total
ASSETS			
Cash and cash equivalents	\$ 3,899,380	\$ 28,683	\$ 3,928,063
Accounts receivable - net	5,119,432	5,815	5,125,247
Due from other funds	842,159	18,168	860,327
Due from Foundation	48,638	-	48,638
Inventory and prepaids	257,633	-	257,633
Total Assets	\$ 10,167,242	\$ 52,666	\$ 10,219,908
LIABILITIES			
Accounts payable	\$ 3,031,529	\$ 3,241	\$ 3,034,770
Deferred revenue	1,296,451	-	1,296,451
Due to other funds	857,085	3,242	860,327
Amounts held for others	48,715	46,183	94,898
Estimated liability for claims and claims adjustment expense	195,787	-	195,787
Total Liabilities	5,429,567	52,666	5,482,233
FUND EQUITY			
Retained earnings (deficit)	806,197	-	806,197
Fund balances:			
Reserved for debt service	2,039,842	-	2,039,842
Reserved for capital outlay	243,081	-	243,081
Unreserved:			
Undesignated	1,648,555	-	1,648,555
Total Fund Equity (Deficit)	4,737,675	-	4,737,675
Total Liabilities and Fund Equity (Deficit)	\$ 10,167,242	\$ 52,666	\$ 10,219,908

See the accompanying notes to the supplementary information.

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

June 30, 2012	General Fund	Bond Interest and Redemption Fund	Measure A Interest and Redemption Fund	Cafeteria Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 2,444,982	\$ -	\$ -	\$ 524,120	\$ 2,969,102
Less: Scholarship discount and allowance	1,025,142	-	-	-	1,025,142
Net Tuition and Fees	1,419,840	-	-	524,120	1,943,960
Grants and contracts - noncapital:					
Federal	1,245,803	-	-	-	1,245,803
State	1,473,897	-	-	-	1,473,897
Local	133,025	-	-	14,472	147,497
Auxiliary enterprise sales and charges	-	-	-	-	-
Total Operating Revenues	4,272,565	-	-	538,592	4,811,157
OPERATING EXPENDITURES/EXPENSES					
Salaries	10,467,620	-	-	12,574	10,480,194
Employee benefits	4,440,556	-	-	1,763	4,442,319
Supplies, materials, and other expenditures/ expenses and services	2,544,385	-	2,739	447,111	2,994,235
Payments to students	157,288	-	-	-	157,288
Capital outlay	493,139	-	-	-	493,139
Utilities	729,822	-	-	20,000	749,822
Total Operating Expenditures/Expenses	18,832,810	-	2,739	481,448	19,316,997
Operating Income (Loss)	(14,560,245)	-	(2,739)	57,144	(14,505,840)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	9,967,231	-	-	-	9,967,231
Local property taxes	3,291,146	-	1,500,928	-	4,792,074
State taxes and other revenues	417,026	-	24,537	-	441,563
Investment income - noncapital	44,428	505	15,500	-	60,433
Other nonoperating revenues	135,590	-	-	-	135,590
Debt services	(36,196)	(102,487)	(1,072,581)	-	(1,211,264)
Total Nonoperating Revenues (Expenditures)	13,819,225	(101,982)	468,384	-	14,185,627
Income (Loss) Before Other Revenues and Expenditures/Expenses	(741,020)	(101,982)	465,645	57,144	(320,213)
OTHER REVENUES AND EXPENDITURES					
State revenue - capital	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures/Expenses	(741,020)	(101,982)	465,645	57,144	(320,213)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	475,296	102,488	-	-	577,784
Operating transfers out	(424,566)	-	-	-	(424,566)
Note proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	50,730	102,488	-	-	153,218
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(690,290)	506	465,645	57,144	(166,995)
Fund Equity - Beginning of Year	2,024,988	54,421	1,519,270	51,211	3,649,890
Fund Equity - End of Year	\$ 1,334,698	\$ 54,927	\$ 1,984,915	\$ 108,355	\$ 3,482,895

See the accompanying notes to the supplementary information.

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

June 30, 2012	Balance Brought Forward	Dormitory Revenue Fund	Dormitory Repair and Replacement Fund	Capital Outlay Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 2,969,102	\$ 490,904	\$ -	\$ -	\$ 3,460,006
Less: Scholarship discount and allowance	1,025,142	-	-	-	1,025,142
Net Tuition and Fees	1,943,960	490,904	-	-	2,434,864
Grants and contracts - noncapital:					
Federal	1,245,803	-	-	-	1,245,803
State	1,473,897	-	-	-	1,473,897
Local	147,497	3,240	-	57,911	208,648
Auxiliary enterprise sales and charges	-	-	-	-	-
Total Operating Revenues	4,811,157	494,144	-	57,911	5,363,212
OPERATING EXPENDITURES/EXPENSES					
Salaries	10,480,194	154,246	-	-	10,634,440
Employee benefits	4,442,319	89,689	-	-	4,532,008
Supplies, materials, and other expenditures/ expenses and services	2,994,235	39,787	-	271,549	3,305,571
Payments to students	157,288	-	-	-	157,288
Capital outlay	493,139	18,125	-	450,065	961,329
Utilities	749,822	41,695	-	-	791,517
Total Operating Expenditures/Expenses	19,316,997	343,542	-	721,614	20,382,153
Operating Income (Loss)	(14,505,840)	150,602	-	(663,703)	(15,018,941)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	9,967,231	-	-	-	9,967,231
Local property taxes	4,792,074	-	-	-	4,792,074
State taxes and other revenues	441,563	-	-	-	441,563
Investment income - noncapital	60,433	517	228	2,725	63,903
Other nonoperating revenues	135,590	-	-	-	135,590
Debt services	(1,211,264)	-	-	-	(1,211,264)
Total Nonoperating Revenues (Expenditures)	14,185,627	517	228	2,725	14,189,097
Income (Loss) Before Other Revenues and Expenditures/Expenses	(320,213)	151,119	228	(660,978)	(829,844)
OTHER REVENUES AND EXPENDITURES					
State revenue - capital	-	-	-	355,713	355,713
Excess of Revenues Over (Under) Expenditures/Expenses	(320,213)	151,119	228	(305,265)	(474,131)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	577,784	-	4,000	233,366	815,150
Operating transfers out	(424,566)	(17,430)	-	(400,745)	(842,741)
Note proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	153,218	(17,430)	4,000	(167,379)	(27,591)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(166,995)	133,689	4,228	(472,644)	(501,722)
Fund Equity - Beginning of Year	3,649,890	(332,045)	26,638	1,022,644	4,367,127
Fund Equity - End of Year	\$ 3,482,895	\$ (198,356)	\$ 30,866	\$ 550,000	\$ 3,865,405

See the accompanying notes to the supplementary information.

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Siskiyou Joint Community
College District*
Page 3 of 5

June 30, 2012	Balance Brought Forward	Measure A Construction Fund	Bookstore Fund	Self- Insurance Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 3,460,006	\$ -	\$ -	\$ -	\$ 3,460,006
Less: Scholarship discount and allowance	1,025,142	-	-	-	1,025,142
Net Tuition and Fees	2,434,864	-	-	-	2,434,864
Grants and contracts - noncapital:					
Federal	1,245,803	-	-	-	1,245,803
State	1,473,897	-	-	-	1,473,897
Local	208,648	-	-	3,375,829	3,584,477
Auxiliary enterprise sales and charges	-	-	640,951	-	640,951
Total Operating Revenues	5,363,212	-	640,951	3,375,829	9,379,992
OPERATING EXPENDITURES/EXPENSES					
Salaries	10,634,440	-	77,942	-	10,712,382
Employee benefits	4,532,008	-	33,884	2,509,759	7,075,651
Supplies, materials, and other expenditures/ expenses and services	3,305,571	1,066	473,670	7,500	3,787,807
Payments to students	157,288	-	-	-	157,288
Capital outlay	961,329	10,135,042	118	-	11,096,489
Utilities	791,517	-	10,000	-	801,517
Total Operating Expenditures/Expenses	20,382,153	10,136,108	595,614	2,517,259	33,631,134
Operating Income (Loss)	(15,018,941)	(10,136,108)	45,337	858,570	(24,251,142)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	9,967,231	-	-	-	9,967,231
Local property taxes	4,792,074	-	-	-	4,792,074
State taxes and other revenues	441,563	-	-	-	441,563
Investment income - noncapital	63,903	33,796	-	-	97,699
Other nonoperating revenues	135,590	-	-	-	135,590
Debt services	(1,211,264)	-	-	-	(1,211,264)
Total Nonoperating Revenues (Expenditures)	14,189,097	33,796	-	-	14,222,893
Income (Loss) Before Other Revenues and Expenditures/Expenses	(829,844)	(10,102,312)	45,337	858,570	(10,028,249)
OTHER REVENUES AND EXPENDITURES					
State revenue - capital	355,713	10,124,425	-	-	10,480,138
Excess of Revenues Over (Under) Expenditures/Expenses	(474,131)	22,113	45,337	858,570	451,889
OTHER FINANCING SOURCES (USES)					
Operating transfers in	815,150	-	-	-	815,150
Operating transfers out	(842,741)	-	-	-	(842,741)
Note proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	(27,591)	-	-	-	(27,591)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(501,722)	22,113	45,337	858,570	424,298
Fund Equity - Beginning of Year	4,367,127	35,877	(77,272)	(20,438)	4,305,294
Fund Equity - End of Year	\$ 3,865,405	\$ 57,990	\$ (31,935)	\$ 838,132	\$ 4,729,592

See the accompanying notes to the supplementary information.

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Siskiyou Joint Community
College District*
Page 4 of 5

June 30, 2012	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 3,460,006	\$ -	\$ -	\$ -	\$ 3,460,006
Less: Scholarship discount and allowance	1,025,142	-	-	-	1,025,142
Net Tuition and Fees	2,434,864	-	-	-	2,434,864
Grants and contracts - noncapital:					
Federal	1,245,803	-	8,812,772	-	10,058,575
State	1,473,897	-	542,636	-	2,016,533
Local	3,584,477	-	-	-	3,584,477
Auxiliary enterprise sales and charges	640,951	-	-	-	640,951
Total Operating Revenues	9,379,992	-	9,355,408	-	18,735,400
OPERATING EXPENDITURES/EXPENSES					
Salaries	10,712,382	-	143,892	-	10,856,274
Employee benefits	7,075,651	-	44,831	-	7,120,482
Supplies, materials, and other expenditures/ expenses and services	3,787,807	-	15,212	-	3,803,019
Payments to students	157,288	-	9,174,623	-	9,331,911
Capital outlay	11,096,489	-	1,262	-	11,097,751
Utilities	801,517	-	-	-	801,517
Total Operating Expenditures/Expenses	33,631,134	-	9,379,820	-	43,010,954
Operating Income (Loss)	(24,251,142)	-	(24,412)	-	(24,275,554)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	9,967,231	-	-	-	9,967,231
Local property taxes	4,792,074	-	-	-	4,792,074
State taxes and other revenues	441,563	-	-	-	441,563
Investment income - noncapital	97,699	-	591	-	98,290
Other nonoperating revenues	135,590	-	-	-	135,590
Debt services	(1,211,264)	-	-	-	(1,211,264)
Total Nonoperating Revenues (Expenditures)	14,222,893	-	591	-	14,223,484
Income (Loss) Before Other Revenues and Expenditures/Expenses	(10,028,249)	-	(23,821)	-	(10,052,070)
OTHER REVENUES AND EXPENDITURES					
State revenue - capital	10,480,138	-	-	-	10,480,138
Excess of Revenues Over (Under) Expenditures/Expenses	451,889	-	(23,821)	-	428,068
OTHER FINANCING SOURCES (USES)					
Operating transfers in	815,150	-	27,591	-	842,741
Operating transfers out	(842,741)	-	-	-	(842,741)
Note proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	(27,591)	-	27,591	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	424,298	-	3,770	-	428,068
Fund Equity - Beginning of Year	4,305,294	-	4,313	-	4,309,607
Fund Equity - End of Year	\$ 4,729,592	\$ -	\$ 8,083	\$ -	\$ 4,737,675

See the accompanying notes to the supplementary information.

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Siskiyou Joint Community
College District
Page 5 of 5*

June 30, 2012	Balance Brought Forward	Other Agency Funds	Total
OPERATING REVENUES			
Tuition and fees	\$ 3,460,006	\$ -	\$ 3,460,006
Less: Scholarship discount and allowance	1,025,142	-	1,025,142
Net Tuition and Fees	2,434,864	-	2,434,864
Grants and contracts - noncapital:	-	-	-
Federal	10,058,575	-	10,058,575
State	2,016,533	-	2,016,533
Local	3,584,477	-	3,584,477
Auxiliary enterprise sales and charges	640,951	-	640,951
Total Operating Revenues	18,735,400	-	18,735,400
OPERATING EXPENDITURES/EXPENSES			
Salaries	10,856,274	-	10,856,274
Employee benefits	7,120,482	-	7,120,482
Supplies, materials, and other expenditures/ expenses and services	3,803,019	-	3,803,019
Payments to students	9,331,911	-	9,331,911
Capital outlay	11,097,751	-	11,097,751
Utilities	801,517	-	801,517
Total Operating Expenditures/Expenses	43,010,954	-	43,010,954
Operating Income (Loss)	(24,275,554)	-	(24,275,554)
NONOPERATING REVENUES (EXPENDITURES)			
State apportionments - noncapital	9,967,231	-	9,967,231
Local property taxes	4,792,074	-	4,792,074
State taxes and other revenues	441,563	-	441,563
Investment income - noncapital	98,290	-	98,290
Other nonoperating revenues	135,590	-	135,590
Debt services	(1,211,264)	-	(1,211,264)
Total Nonoperating Revenues (Expenditures)	14,223,484	-	14,223,484
Income (Loss) Before Other Revenues and Expenditures/Expenses	(10,052,070)	-	(10,052,070)
OTHER REVENUES AND EXPENDITURES			
State revenue - capital	10,480,138	-	10,480,138
Excess of Revenues Over (Under) Expenditures/Expenses	428,068	-	428,068
OTHER FINANCING SOURCES (USES)			
Operating transfers in	842,741	-	842,741
Operating transfers out	(842,741)	-	(842,741)
Note proceeds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	428,068	-	428,068
Fund Equity - Beginning of Year	4,309,607	-	4,309,607
Fund Equity - End of Year	\$ 4,737,675	\$ -	\$ 4,737,675

See the accompanying notes to the supplementary information.

**RECONCILIATION OF FUND EQUITY
TO NET ASSETS**

June 30, 2012

*Siskiyou Joint Community
College District*

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 4,737,675
Assets recorded within the statement of net assets not included in the District fund financial statements:		
Deferred costs - net		926,253
Nondepreciable capital assets		12,300,426
Depreciable capital assets	\$ 39,674,571	
Accumulated depreciation	<u>(10,991,127)</u>	28,683,444
Liabilities recorded within the statement of net assets not recorded in the District fund financial statements:		
Compensated absences		(294,640)
Long-term debt		(29,014,957)
Other postemployment benefit asset (obligation)		<u>(1,566,105)</u>
Net Assets Reported Within the Statement of Net Assets		\$ 15,772,096

See the accompanying notes to the supplementary information.

**RECONCILIATION OF CHANGE IN FUND
EQUITY TO CHANGE IN NET ASSETS**

*Siskiyou Joint Community
College District*

June 30, 2012

Change in fund equity - District funds included in the reporting entity	\$ 428,068
Compensated absence expense not reported within the GASB 35 Statements	55,880
Depreciation expense reported within the GASB 35 Statements	(1,283,508)
Accretion of general obligation bonds reported within the GASB 35 Statements	(613,169)
Amortization of debt issuance costs reported within the GASB 35 Statements	(53,463)
Amortization of bond premiums reported within the GASB 35 Statements	58,249
Capital outlay expense not reported within the GASB 35 Statements	10,763,126
Other postemployment benefits expense reported within the GASB 35 Statements	(549,570)
Principal payments on debt not reported within the GASB 35 Statements	292,023
Change in Net Assets Reported Within the Statement of Revenues, Expenses, and Changes in Net Assets	\$ 9,097,636

See the accompanying notes to the supplementary information.

**NOTES TO THE SUPPLEMENTARY
INFORMATION**

June 30, 2012

*Siskiyou Joint Community
College District*

PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment as of June 30, 2012, represents the basis of apportionment of the Siskiyou Joint Community College District's annual source of funding.

Schedule of Expenditures of Federal and State Awards

The audit of the Siskiyou Joint Community College District for the year ended June 30, 2012, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards were prepared for the Siskiyou Joint Community College District.

These schedules are prepared on the accrual basis of accounting.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on Form CCFS-311 to the District accounting records.

OTHER REPORTS SECTION



MATSON
& ISOM

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

To the Board of Trustees
Siskiyou Joint Community College District
Weed, California

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Siskiyou Joint Community College District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2013. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

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

Continued



**MATSON
& ISOM**

We noted certain matters that we reported to management of the District in a separate letter dated February 25, 2013.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, California Community Colleges Chancellor's Office, California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

February 25, 2013
Redding, California



MATSON
& ISOM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Siskiyou Joint Community College District
Weed, California

Compliance

We have audited the compliance of Siskiyou Joint Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of 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 the District's management. Our responsibility is to express an opinion on the 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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 the 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-1.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing 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 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 the District's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 was not designed to 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.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response; and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the entity, federal awarding agencies, Chancellor's Office, California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

February 25, 2013
Redding, California



MATSON
& ISOM

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

To the Board of Trustees
Siskiyou Joint Community College District
Weed, California

We have audited the Siskiyou Joint Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2011-12*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2012. The applicable state compliance requirements are identified in the table below. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2011-12*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2011-12*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS
STATE GENERAL APPORTIONMENT REQUIRED DATA ELEMENTS
RESIDENCY DETERMINATION FOR CREDIT COURSES
STUDENTS ACTIVELY ENROLLED
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES
GANN LIMIT CALCULATION
CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS) - USE OF
STATE AND FEDERAL TANF FUNDING
OPEN ENROLLMENT
STUDENT FEES - INSTRUCTIONAL AND OTHER MATERIALS
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEES
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND
COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)
DISABLED STUDENT PROGRAMS AND SERVICES (DSPTS)
CURRICULUM AND INSTRUCTION
TO BE ARRANGED HOURS (TBA)

**INDEPENDENT AUDITORS' REPORT ON
STATE COMPLIANCE REQUIREMENTS**

Continued

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2012, except as described in the accompanying schedule of findings and questioned costs as items 12-2 through 12-14.

This report is intended solely for the information and use of the Board of Trustees, management, the California Community Colleges Chancellor's Office, 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.

Matson and Isom

February 25, 2013
Redding, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION I
SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed relative to major federal award programs?	Yes
Identification of major programs	
CFDA Nos. 84.007, 84.268, 84.033, 84.063, and 84.375	Student Financial Assistance Cluster
Threshold for distinguishing types A and B programs	\$300,000
Determined to be a low-risk auditee?	No

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditors' report issued on compliance for state programs	Qualified

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

None.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

FEDERAL AWARD PROGRAM (STUDENT FINANCIAL AID)

(12-1)

Condition

Financial aid checks were disbursed to two students who were not eligible to receive financial aid due to their academic status being “Disqualified.”

Criteria

The District is responsible to comply with federal requirements to monitor student aid recipients’ satisfactory academic progress toward a declared, approved education objective of an Associate Degree, Certificate, or transfer to a baccalaureate, degree-granting institution. It is the college’s responsibility to track, measure, and assess the student’s progress toward their stated objective. The qualitative way in which the college measures progress is through academic review. The student’s GPA must be consistent with requirements for receipt of a degree, certificate, or transfer status of 2.0 (“C” average).

Effect

As the District did not review the academic progress timely, ineligible students received financial aid. The amount of questioned costs claimed due to this error was \$1,638.

Recommendation

We recommend that the District perform a timely review of students’ academic progress prior to the disbursement of financial aid.

Response

A procedure has been established whereby no checks will be disbursed until staff has completed the review of all financial aid students’ academic progress.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (CARE)

(12-2)

Reportable Condition

Condition

The District CARE advisory committee only held one meeting during the 2011-1212 academic year.

Criteria

Per the CARE Program Guidelines (Revised August 1, 2010), each CARE program shall have an advisory committee and/or interagency group meetings. The advisory committee and/or interagency group meetings shall meet at least twice during each academic year.

Effect

The District is not in compliance with the CARE Program Guidelines.

Recommendation

We recommend that the District hold at least two CARE advisory committee meetings each academic year.

Response

The Director of Counseling and Student Success will ensure that at least one meeting per semester (fall/spring) will be scheduled for the Joint EOPS/CARE Advisory Committee each academic year. With the resignation of our EOPS/CARE Coordinator in Oct of 2012, both meetings for the 2012-13 academic year will be held during the spring of 2013. The first is scheduled for March 18, 2013, and the second will be scheduled after an EOPS/CARE Coordinator is hired and the vacant position filled. This second meeting date is planned for late April or early May 2013. We have contacted the CARE Program Coordinator the CA Community College Chancellor's Office, Cheryl Fong, and she supports this decision. We also verified the partners/agencies who are currently members of the EOPS/CARE Advisory Committee as meeting CARE Program Guidelines.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (DSPS)

(12-3)

Reportable Condition

Condition

The District did not have a completed DSPS application in five of the 25 student files tested for DSPS eligibility testing.

Criteria

Per the DSPS implementation guidelines, a signed application for services should be included in each student file. The District has a policy requiring that a signed application be completed by each student and kept on file.

Effect

The District did not receive new applications for two students who reactivated their account after the student's file had been purged after lengthy inactivity. The District also did not obtain applications for three students who received benefits in the form of specialized PE classes.

Recommendation

We recommend that the District implement a procedure to ensure that it follows DSPS guidelines regarding the documentation to be kept in each student's file.

Response

After reviewing the informal procedure, the DSPS office is implementing a formal process for ensuring completeness of all required forms in a student file. As we look at the 2012-2013 year, we are in the process of doing a complete review of Fall, 2012 files and implementing a checklist beginning with Spring, 2013.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (To Be Arranged TBA)

(12-4)

Reportable Condition

Condition

Seven out of the seven courses tested for state general apportionment did not list the number of TBA hours required in the class schedule, course catalog, or approved outline of record.

Criteria

The California Community Colleges Chancellor's Office instructs districts that a clear description of the course, including the number of TBA hours required, must be published in the official general catalog and schedule of classes and/or addenda. The number of hours of instruction for To Be Arranged Hours (TBA) courses were not listed in the class schedule (or addenda), course catalog, or in the course outline for the TBA courses selected for testing.

Effect

The courses may not be well publicized which may affect the student's selection of courses.

Recommendation

We recommend that the District update their catalog and course outlines to include the number of TBA hours required for all TBA courses.

Response

This condition was identified and reported in the 2010-11 audit and corrected at the earliest possible date. Spring 2012 was underway by the time the 2010-11 audit report was received, so the earliest term for which corrections could be, and were, made was Summer 2012.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (To Be Arranged (TBA))

(12-5)

Reportable Condition

Condition

For seven out of the seven courses selected for testing hours “to be arranged,” the District was not able to provide supporting documentation, such as the attendance roster to support the number of contact hours claimed.

Criteria

California Education Code, Section 58003, requires that the District provide supporting documentation, such as the attendance roster as of census date to support the number of contact hours claimed for TBA courses.

Effect

The District cannot support the contact hours for TBA courses selected for testing.

Recommendation

We recommend that the District track “to be arranged” hours separately on an attendance roster to support the contact hours claimed for these courses.

Response

This condition was identified and reported in the 2010-11 audit and corrected at the earliest possible date. Spring 2012 was underway by the time the 2010-11 audit report was received, so the earliest term for which corrections could be, and were, made was Summer 2012. Faculty have been instructed to maintain and submit daily records of all TBA attendance. In addition, TBA hours have been and will be avoided in class scheduling to the greatest extent possible.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Residency)

(12-6)

Reportable Condition

Condition

The District was unable to provide supporting residency documentation for one student. This occurred because the student was a resident upon their initial application to the District; however, this student did not attend courses at the District for consecutive semesters and, upon re-enrolling at the District, the Admissions and Records department failed to certify the student's residency status.

Criteria

Per the Student Attendance Account Manual (SAAM), if a student has not been in attendance for more than one semester, the District must perform a new residency determination.

Effect

The District is not in compliance with the SAAM.

Recommendation

We recommend that the District initiate a method to review all students who have been away for more than one semester so that residency can be redetermined.

Response

As a result of this finding, our consultants have identified a problem in the setup of registration rules in the Banner system. When COS converted to Banner all students from the Legacy system were transferred into Banner as Active students. Staff was not trained to populate the Continuant Terms rule form that identifies the term(s) a student must have attended in order to be classified as a continuing student in a given term. Title 5 requires that students reapply for admission with re-determination of their residency status if they have missed attending more than one fall or spring semester. This rule will be strictly enforced beginning in Summer 2013.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Student Fees – Instructional and Other Materials)

(12-7)

Reportable Condition

Condition

The District charged an instructional materials fee for a music class that exceeded the District's actual cost of the materials.

Criteria

Per *Education Code* Section 76355, districts are permitted to sell instructional materials to students who wish to buy the materials from the District. If the materials are offered for purchase through the District, the District should ensure that students are not charged more than the District's actual cost of the materials.

Effect

Total instructional materials fees collected for Music 5089 were \$2,625 while actual class material purchases were \$406, resulting in an overcharge to students in the amount of \$2,219.

Recommendation

We recommend that the District implement a procedure to ensure that it follows *Education Code* Section 76355 regarding allowable instructional materials fees.

Response

The material fee estimate for the summer music program was largely based on an estimate for sheet music costs for the program months ahead of finalizing the actual selections of the music to be used for the program. The timing for preparing the class schedule and associated fees creates a challenge in estimating cost related to the program. While this particular program is no longer being offered, the District will review the process for charging material fees to have the instructors meet with the Dean of Student Learning to establish the fee to be charged as allowable by the *Education Code* Section 76355.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Concurrent Enrollment)

(12-8)

Reportable Condition

Condition

The District was unable to provide concurrent enrollment forms for three out of the 25 students selected for testing.

Criteria

Education Code, Sections 48899(a), 48800.5, 76300, and 76001(d) requires District's to obtain verification from the K-12 school district that the student can benefit from advanced scholastic or vocational work.

Effect

The District was unable to provide forms with verification from the K-12 school districts and, therefore, is not in compliance with the *Education Code* sections referenced above.

Recommendation

We recommend the District implement controls to ensure all required verifications are received and retained.

Response

The three students for whom we were unable to locate concurrent enrollment forms were from our last Vocal Jazz camp Summer 2011. Forms were kept in a separate file which was misplaced during the merge of Admissions and Records and Financial Aid in Summer of 2011. To avoid similar problems in the future, we will now scan all concurrent enrollment forms after processing and file them electronically.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Concurrent Enrollment)

(12-9)

Reportable Condition

Condition

One concurrent enrollment student out of the 25 tested was enrolled in over 11 units.

Criteria

Per the *Education Code* Section 76001(d), special part-time students may enroll in up to 11 units per semester.

Effect

For this student, the District is not in compliance with the *Education Code* referenced above. Thirteen contact hours were claimed for apportionment for this student.

Recommendation

We recommend the District create a control in their software that will not allow a special part-time student to enroll in more than 11 units.

Response

The District does have controls in Banner that limit concurrently enrolled students to 11 units per semester. The problem in the case in question was that the student did not identify himself as a high school student when applying for admission online and was admitted as a regular student. We have now adopted a procedure whereby we will challenge applicants under age 18 who do not apply through the concurrent enrollment program to produce a high school diploma or require that they meet the ability to benefit requirements through testing.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(12-10)

Reportable Condition

Condition

During our testing, we found one course for which the District did not retain an attendance record for a positive attendance class for the minimum three-year period. After the instructor had completed the entry of the contact hours into the electronic attendance software, the instructor destroyed the paper copy of the attendance information.

Criteria

CCR, Title 5, Section 59025 states that records relating to attendance and FTES are classified as Class 3 – Disposable Records and records basic to audit. As such, they are required to be retained by the District for the minimum applicable three-year record retention period required by CCR, Title 5, Section 59026(b) and the SAAM.

Effect

The District is not in compliance with state guidelines.

Recommendation

We recommend that the District institute a policy to keep records relating to attendance and FTES to be in compliance with state retention requirements.

Response

The instructor did keep accurate back up but allowed students who missed a class to make it up by attending alternate sections of the same class, but did not submit that documentation with the rest of her back up. She has been notified that she needs to include that documentation with her back up for future semesters (Sp 13).

The District has strengthened the requirement for instructors to submit complete daily attendance records for all positive attendance classes no later than the end of the term, and those records will be scanned and filed electronically to avoid misplaced or otherwise missing records.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(12-11)

Reportable Condition

Condition

The District incorrectly calculated and reported contact hours on the CCFS 320 by understating the contact hours for a course due to a manual override of the Banner calculation. The system had calculated the contact hours correctly and a manual override was not necessary.

Criteria

The Student Attendance Accounting Manual (SAAM) sets forth guidelines on the calculation of contact hours for apportionment attendance reporting. The California Community Colleges Chancellor's Office (Chancellor's Office) had increased their scrutiny of contact hour calculation and issued further guidance to assist in applying guidance in the SAAM.

Effect

The above issue resulted in an understatement of FTES by 0.18.

Recommendation

We recommend that the District create a review process for any Banner overrides to prevent human error.

Response

Clerical error was responsible for the errors identified, and staff understands the importance of avoiding overrides wherever possible due to the human errors they can introduce. Banner does calculate census dates correctly, and "knows" that the census date of a daily census class is never the day of the first class meeting. The calculated date can be overridden, and that is apparently what occurred in a case where the census date in Banner is the date of the first meeting.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(12-12)

Reportable Condition

Condition

The District incorrectly reported contact hours on the CCFS-320 by making a manual adjustment to correct a course's contact hours. This adjustment was incorrectly performed and caused an overstatement of contact hours by an amount of eight contact hours.

Criteria

The Student Attendance Accounting Manual (SAAM) sets forth guidelines on the calculation of contact hours for apportionment attendance reporting. The California Community Colleges Chancellor's Office (Chancellor's Office) had increased their scrutiny of contact hour calculation and issued further guidance to assist in applying guidance in the SAAM.

Effect

The above issue resulted in an overstatement of FTES by 0.02. The effect of this error could not be extrapolated.

Recommendation

We recommend that the District create a review process for any manual adjustments to the 320 attendance reporting.

Response

The issue for the above course is that it can be variable required hours depending on the POST certification. The course is written for 177 hours – however only 163 hours were needed to complete POST requirements during this semester and therefore the course was scheduled for 163 hours. Student did anywhere from 163-177 hours during this semester and was inputted by instructor by total hours.

The CTE Department will work with curriculum to make this course and courses like it a variable hour/unit classes to cover POST and/or State Fire Marshall requirement for each semester. All instructors are regularly reminded of the importance of total accuracy in attendance recording and reporting.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students and Active Enrollment)

(12-13)

Reportable Condition

Condition

The District claimed apportionment for three courses that were cancelled. This occurred because the District had courses listed with the same start and census date so the software still counted the course for apportionment even though it was cancelled on the first day.

Criteria

The Student Attendance Account Manual (SAAM) sets forth guidelines on the calculation of contact hours for apportionment attendance reporting. For short-term daily census courses where the census falls on the first day of the course, the enrollment is to reflect the active enrollment as of the end of the first day, and the census is on the second day.

Effect

This noncompliance issue resulted in an overstatement of 0.73 FTES.

Recommendation

We recommend that the District make appropriate changes to their Banner software so that it will not allow the census date to be the same day as the start date of a course.

Response

An incorrect census date was used in cancelled courses for which apportionment was erroneously claimed. As explained in an earlier response, Banner correctly determines the census date for daily census classes as no earlier than the date of the second class meeting. The calculated date must have been erroneously overridden, and staff is aware of the care that must be taken with manual overrides when they are absolutely necessary.

The basic problem causing the erroneous reporting of contact hours for these cancelled classes was the cancellation procedure itself. A cancellation procedure has been implemented to ensure that this does not happen in the future

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Students Actively Enrolled)

(12-14)

Reportable Condition

Condition

The District incorrectly calculated the census date for a course by leaving the academic calendar type as “null” on the section calendar form.

Criteria

The Student Attendance Account Manual (SAAM) sets forth guidelines on the calculation of census dates for apportionment attendance reporting. Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

Effect

The District is not in compliance with the SAAM.

Recommendation

We recommend that the District set up a review process when creating courses in Banner. This would help limit the amount of erroneous entries allowed in the system.

Response

A clerical error was made in scheduling this course by failing to enter the appropriate Academic Calendar Type, resulting in inaccurate determination of the census date. Staff is aware of the need to double-check that the Academic Calendar Type is correctly entered for every course.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

AUDIT ADJUSTMENTS

(11-1)

Condition

During the prior audit year, the District implemented a new accounting system. Issues in implementation with consultants and training led to financial statements that were not fully adjusted and ready for audit. In addition, District staff had issues obtaining information in reports that were necessary for the audit. As a result, several significant audit adjustments were necessary in order for the financial statements to be fairly presented in accordance with GAAP.

Recommendation

We recommended that the District take steps to ensure that District staff was fully trained in the accounting and reporting aspects of the new accounting system to ensure that all adjustments necessary for proper financial reporting were posted to the District's records prior to the audit.

Current Status

We were not required to post significant audit adjustments in the current year.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

FEDERAL AWARD PROGRAM (STUDENT FINANCIAL AID)

(11-2)

Condition

The District was not performing a reconciliation of the School Account Statement (SAS) data file to the internal financial records on a monthly basis.

Criteria

The Direct Loan Student Financial Aid program requires that the District reconcile the School Account Statement (SAS) data file to the internal financial records on a monthly basis.

Effect

Without a reconciliation process, there was the potential that discrepancies and errors between the District and the Department of Education would not be caught.

Recommendation

We recommended the District perform monthly reconciliations of the Direct Loan activity between the District's general ledger and the Direct Loan Servicing System through the COD system to ensure compliance.

Current Status

During our audit of the current year, we noted that the District is performing a reconciliation of the School Account Statement (SAS) data file on a timely basis.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

FEDERAL AWARD PROGRAM (STUDENT FINANCIAL AID)

(11-3)

Condition

Due to a change in District staff, the District neglected to perform return of Title IV calculations on students that dropped out/decreased units during the year.

Criteria

The Direct Loan Student Financial Aid program requires that the District perform a calculation on any students who withdrew or dropped out during the year to determine if a return of funds (to the Federal government) is required within a specific time frame.

Effect

The District may have owed the Federal government money (and the student's owe the District) for those students who withdrew or dropped out prior to the 60% mark.

Recommendation

We recommended the District perform these calculations immediately to see if any money should have been remitted back to the Federal government; in addition, we recommended that this process take place timely in the future in order to meet the time-frame requirements for returning the money.

Current Status

During the current year, we noted that the District performed return of Title IV calculations on a timely basis.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(11-4)

Condition

The District incorrectly calculated and reported contact hours on the CCFS 320 for the following areas:

- A) Field trips – the District claimed contact hours for field trips held during the term on weekly and daily census type courses. The field trips did not disqualify the course from weekly or daily census accounting, however the District could not claim any additional contact hours for these field trips.
- B) Math 86 (all regular term sections) – This was a modular course with six possible modules taught under one course title. The student has the option to complete from one module up to six modules in a term. These modules are not scheduled as to a specific number of hours per day or per week. The District calculated contact hours for all regular term Math 86 courses under the daily census method. As this course does not qualify for either the daily census or weekly census treatment, it should have been calculated using the positive attendance method.
- C) Cancelled course – The District claimed FTES for a course that was cancelled prior to the start of the term.

Criteria

The Student Attendance Accounting Manual (SAAM) sets forth guidelines on the calculation of contact hours for apportionment attendance reporting. The California Community Colleges Chancellor's Office (Chancellor's Office) had increased their scrutiny of contact hour calculation and issued further guidance to assist districts in applying guidance in the SAAM.

Effect

The treatment of each of the above courses resulted in an overstatement of FTES as follows:

- A) Field trips –3.5 FTES
- B) Math 86 –18.65 FTES
- C) Cancelled course – .60 FTES

Recommendation

We recommended that the District review the requirements in the Student Attendance Accounting Manual (SAAM) and update the attendance accounting methods accordingly.

Current Status

During the current year, we noted that items A and B above were resolved. However, in the current year, we noted that item C was not resolved. Please see current year finding 12-13.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Active Enrollment)

(11-5)

Condition

The District incorrectly reported the number of students claimed for apportionment on the CCFS 320 due to instructor census roster add/drops. When the instructor noted on the census certification that a student should have been added or dropped prior to census day, the District dated this add/drop as of the date it was reported and did not date the add/drop prior to the census date. Therefore, the students reported as of the census date did not include these instructor add/drops and thus the FTES for these students were over/understated when reported.

Criteria

Title 5, Section 58003.1(b), (c) and 58752 states “Contact hours of enrollment shall not be counted for a student who is a “drop,” “no-show,” or a “withdrawal” at the cutoff point for the census day or date (not later than the end of business of the last college day immediately preceding the census day or date). Each college must establish an official procedure for insuring that data computed for the census day or date included only students who are actively enrolled as of that date.”

Effect

The condition was specific to instructor adds/drops. If the student personally added or dropped the course through Admissions & Records, the change became effective at that time. Due to this condition, the number of full-time equivalent students claimed on the CCFS 320 was overstated by 37.26 FTES.

Recommendation

We recommended the District implement a procedure to ensure that all instructors’ adds/drops were properly added or removed prior to census day.

Current Status

During the current year, we noted that all instructors’ adds/drops were properly added or removed prior to census day.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(11-6)

Condition

The contact hours submitted by the District on the CCFS 320 were taken from a summary report generated by the Banner system, which did not agree to the contact hours on the detail report generated by the Banner system.

Criteria

As required by the 2010-2011 Contracted District Audit Manual, auditors must review detailed course section level documents rather than just summary documents.

Effect

The District reported amounts listed on the summary documents generated from the Banner system on the CCFS 320, but did not confirm that the summary documents agreed to any supporting detailed documents. The detail documents were the more accurate report and did not agree to the summary document, therefore, the District incorrectly reported contact hours from the summary document. The overall effect of this condition was an overstatement of 2.88 FTES.

Recommendation

We recommended that the District revise CCFS 320 reporting procedures to ensure that all documentation supports the numbers submitted in the certified CCFS 320.

Current Status

During the current year, we noted that all documentation supported the numbers submitted in the certified CCFS 320.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (To Be Arranged Hours)

(11-7)

Condition

The number of hours of instruction for To Be Arranged Hours (TBA) courses were not listed in the course catalog or the official course outline for all five of the courses selected for testing.

Criteria

The California Community Colleges Chancellor's Office instructs districts that a clear description of the course, including the number of TBA hours required, must be published in the official general catalog and schedule of classes and/or addenda. In addition, specific instruction activities including those conducted during TBA hours, expected of all students enrolled in the course should be included in the official course outline; finally, all enrolled students should be informed of these instructional activities and expectations for completion and should be included in the class syllabus or other document.

Effect

The courses may not be well publicized which may affect the students' selection of courses.

Recommendation

We recommended that the District update their catalog and outlines to include the number of TBA hours required for all TBA courses.

Current Status

During our audit of the current year, we noted that this condition was not resolved; the finding is included in our current year findings. Please refer to 12-4.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (To Be Arranged Hours)

(11-8)

Condition

Two of the five courses selected for testing hours “to be arranged” used the daily or weekly census attendance accounting method though the classes were not scheduled for regular hours each day or week.

Criteria

The Student Attendance Accounting Manual and *California Education Code* require that the students have regular contact with the instructor for the same length of time each scheduled day or week of class to use the daily or weekly census method of attendance accounting.

Effect

The contact hours claimed based on the daily or weekly census procedures could differ from the actual contact hours calculated using the positive attendance or alternative attendance method. The amount of the difference cannot be known because the actual attendance of each student was not tracked for every class meeting.

Recommendation

We recommended that the District evaluate the attendance method used for classes, which do not meet regularly to ensure the proper attendance accounting method was used.

Current Status

During the current year, we noted proper attendance accounting methods were used.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students/To Be Arranged Hours)

(11-9)

Condition

The District used the incorrect attendance accounting method or incorrectly calculated contact hours for courses with partial To Be Arranged Hours (TBA).

Criteria

The Student Attendance Accounting Manual and *California Education Code* require that the students have regular contact with the instructor for the same length of time each scheduled day or week of class to use the daily or weekly census method of attendance accounting.

Effect

The contact hours claimed based on the daily or weekly census procedures differ from the actual contact hours calculated using the positive attendance or alternative attendance method. The overall effect of this condition was an overstatement of 4.72 FTES.

Recommendation

We recommended that the District evaluate the attendance method used for classes, which do not meet regularly to ensure the proper attendance accounting method was used.

Current Status

During the current year, we noted that proper attendance accounting methods were used.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(11-10)

Condition

The District scheduled a course noted during review of courses with a To Be Arranged Hours (TBA) portion for a 59-minute increment.

Criteria

The Student Attendance Accounting Manual requires that individual class schedules must be based on five-minute increments for starting and ending times.

Effect

The course was scheduled incorrectly; however, contact hours appeared to have been calculated accurately using the "Contact Hours Computation Table."

Recommendation

We recommended that the District review their procedures related to scheduling and ensure that all courses are scheduled in five-minute increments.

Current Status

During the current year, we noted that all courses tested were scheduled in five-minute increments.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(11-11)

Condition

The District was unable to provide a copy of the Board approved procedures for enrollment, attendance, and disenrollment.

Criteria

CCR, Title 5, Sections 58020 through 58024 require the District to maintain a detailed documentation to substantiate the data reported on the "Apportionment Attendance Report" Form CCFS-320. The District's governing board is required to adopt procedures to document all course enrollment, attendance, and disenrollment.

Effect

Without board-adopted procedures addressing Title 5, Sections 58020-58024, the District may have been obtaining and reporting attendance calculations incorrectly.

Recommendation

We recommended that the District review all enrollment, attendance, and disenrollment procedures and obtain Board approval to address Title 5, Sections 58020 through 58024.

Current Status

During the current year, we obtained board-approved procedures for enrollment, attendance, and disenrollment.

**SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS**

June 30, 2012

*Siskiyou Joint Community
College District*

STATE COMPLIANCE (Instructional Service Agreements)

(11-12)

Condition

The District's instructional service agreement with the Mercy Flights did not include three of the elements required by the Chancellor's Office. The agreement did not 1) state that the District did not receive full compensation for the direct education costs of the classes from any public or private agency, individual, or group of individuals; 2) state that the contracting entity did not receive full compensation for the direct education costs of the classes from any public or private agency, individual, or group of individuals; and 3) certify that the contractor activity is not fully funded by other sources.

Criteria

Districts must have written agreements with instructional service contractors that cover various certifications to ensure that the District and contractor are not receiving other funding for courses taught under instructional service agreements.

Effect

The District could not substantiate that the entity did not receive full compensation from a source other than the District.

Recommendation

We recommended that the District develop a contract template utilizing the contract guide for instructional service agreements that was prepared by the California Community Colleges Chancellor's Office.

Current Status

During the current year, and upon further inquiry and investigation by the District, we noted that the Mercy Flights agreement did not meet the requirements to qualify as an instructional service agreement and, therefore, the required elements were not necessary.