

# **Sierra Joint Community College District**

## **RESPONSE TO**

**2000 – 2001 Placer County Grand Jury**

## **FINAL REPORT 1**

**MARCH 27, 2001**

Prepared by:

Robert J. Tomasini, Trustee, Roseville  
Marion L. Cantor, Esq.

Provided by:

Sierra College Board of Trustees

Approved

By vote of Board of Trustees, March 27, 2001  
Yes - 5 No - 2 Absent - 0

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## **RESPONSES TO GRAND JURY FINDINGS AND RECOMMENDATIONS**

### **I.**

#### **Introduction.**

Sierra College strives to provide all of its students a high quality education and because of its educational excellence is well thought of and respected by the communities that it serves. As elected officials, the members of the Board of Trustees are well aware of their responsibility not only to the students, but also to the public. Therefore, the Board of Trustees welcomes this opportunity to respond to the 2000-2001 Placer County Grand Jury Final Report 1 (the "Report") regarding the Sierra Joint Community College District Post Retirement Medical Fund (the "Fund").

The Board of Trustees respects the time-honored institution of the civil grand jury and its function as a watchdog over public institutions such as the Sierra Joint Community College District. The Board feels that overall, the Report is a good report and thanks the Grand Jury for their time and efforts and for bringing this matter to the attention of the Board. Although there is not clear agreement with all of the Findings made by the Grand Jury, it is the Board members' intention to implement the recommendations brought to their attention by the Report. The Board intends to put processes and procedures in place to alleviate the problems pointed out in the Report.

The information contained in the Board of Trustee's Response was obtained after a thorough review of District documents, discussions with current and retired District employees familiar with the issues and at several public meetings of the Board held to discuss the Board's response to the Report. The meetings included two (2) special public meetings of the Board held at the Rocklin campus, on February 20, 2001 and March 6, 2001, a regular public meeting of the Board held at the Nevada County campus, on March 13, 2001, and a regular meeting of the Board held at the Rocklin campus on March 27, 2001. During those meetings there was not only administrative staff and Board discussion and input, but also comments and testimony from current and retired employees in attendance, and from community members. The Board's response was adopted at a regular public meeting of the Board held on March 27, 2001 that included public input and comment.

## **II.**

### **Response to Findings.**

#### **Finding 1:**

"\$165,000 was removed from the Post Retirement Medical Fund by Sierra College administrators: \$93,000 in 1995-96 and \$72,000 in 1998-99."

#### **Response to Finding 1:**

The Board of Trustees agrees with Finding 1 that \$165,000.00 was removed from the Fund to the General Fund by Sierra College administrators. The Board further agrees that the \$93,000.00 was removed for fiscal year 1995-96. However, the \$72,000.00 was removed for fiscal year 1997-98, not 1998-99. This money was transferred from the Fund to the District's General Fund by Sierra College administrators in the amounts stated above.

#### **Finding 2:**

"The Post Retirement Medical Fund was created by collective bargaining Agreement(s) between the College and its two employee organizations, the Sierra College Faculty Association (SCFA) and the Federation of United School Employees (FUSE), in 1990."

#### **Response to Finding 2:**

The Board of Trustees agrees with Finding 2.

#### **Finding 3:**

"There is no authority granted in the collective bargaining agreements between the College and the employee organizations (SCFA and FUSE) for anyone or any entity to remove funds from the Post Retirement Medical Fund, other than in conformance with collective bargaining agreement provisions regarding resigning or non-contributing employees."

#### **Response to Finding 3:**

The majority of the Board of Trustees agrees in part and disagrees in part with Finding 3. The Board of Trustees agrees that employee contributions may be refunded (a) when the employee elects not to retire or (b) the employee is not eligible for retirement at the date of resignation, or (c) the Fund is discontinued for any reason, in conformance with the collective bargaining agreement provisions. However, the Fund provisions are unclear as to whether funds may be removed under separate legal authority, such as that provided for expendable trust funds

in the California Community Colleges Budget and Accounting Manual. (The District's auditor has characterized the Fund as an expendable trust fund from its inception. See Letter from Tom Perry-Smith dated March 2, 2001 attached hereto as Exhibit 1 and incorporated herein by reference.) This ambiguity allows for conflicting interpretations regarding the removal of funds. For this reason, the Board disagrees in part with Finding 3.

**Finding 4:**

"Removal of \$165,000 from the Post Retirement Medical Fund by College administrators was inappropriate and a breach of the collective bargaining agreement(s) terms and conditions between the College and its employees, as well as a violation of Government Code §3540 et seq.

The College administration had an obligation to obey the terms and conditions of its own contractual agreements with its employees. Instead of acting in a forthright and ethical manner as a trustee of employee funds, they took it upon themselves to covertly and unilaterally invade an employee benefit fund to cover budget shortages.

The College, had they chosen to follow the contract terms, would have notified their employees of their intentions to divert the monies in the Post Retirement Medical Fund to other uses. According to the statements of John DeLury, Finance administrator, on March 14, 2000, they were obligated to return to the table to negotiate new and different contract provisions as required by Government Code §3540 et seq."

**Response to Finding 4:**

The majority of the Board of Trustees agrees in part and disagrees in part with Finding 4, as described below.

The Board of Trustees agrees that removal of \$165,000 from the Fund by College administrators was inappropriate. The Board of Trustees desires to abide by the terms and conditions of its contractual agreements with its employees and agrees that the College administration had and continues to have the same obligation.

The majority of the Board of Trustees lacks the evidence to agree that removal of \$165,000 from the Fund by College administrators was either a breach of the terms and conditions of the collective bargaining agreements between the College and its employees or a violation of The State Employer-Employee Relations Act, Government Code §§3540 et seq. (the "EERA"). The language used in the Fund provisions is vague and ambiguous. We are concerned that the Fund provisions are likely to remain open to conflicting interpretations unless they are rewritten to clarify the intent of the parties. The Board encourages the joint labor management benefit committee (described in the Fund provisions) to meet at the earliest opportunity to establish the procedures for administering the Fund, in conformance with the terms of the agreements.

The majority of the Board of Trustees disagrees for lack of evidence that the College administration covertly and unilaterally invaded an employee benefit account to cover budget shortages or acted in any other manner that would properly be categorized as not ethical or forthright, as asserted in Finding 4. Assuming the reference to "an employee benefit fund" refers to the Fund, the public record contains evidence of the fact that the transfers from the Fund to the General Fund in 1995-96 and 1997-98 were not covert.

The audited financial statements of the District for the year ended June 30, 1996 and the year ended June 30, 1998, as prepared by the District's independent auditor, Perry-Smith and Co., disclose the \$93,000 and \$72,000 transfers. They were presented to the Board of Trustees for discussion and approval at properly noticed and agendized public meetings, on January 14, 1997, and January 12, 1999, respectively. Notice was given to employees and the public in accordance with the requirements of the Brown Act. Extensive narratives were presented by staff, and the public was given the opportunity to comment or ask questions. (See copies of relevant portions of the minutes of Board meetings held on January 14, 1997, and January 12, 1999, attached hereto as Exhibits 2 and 3, respectively, and incorporated herein by reference; see also annotated copies of pages 5 and 37 of the audited financial statements for the year ended June 30, 1996, attached hereto as Exhibit 4 and incorporated herein by reference; see also copies of pages 6 and 37 of the audited financial statements for the year ended June 30, 1998, and page 25 of the "Notes to Financial Statements" contained in the independent auditor's report for the same year, attached hereto as Exhibit 5 and incorporated herein by reference.)

The majority of the Board of Trustees lacks sufficient information to agree with the assertion that the administration had a contractual obligation to give special notice to its employees about the proposed transfer of money from the Fund to the General Fund. On that basis the Board disagrees with that portion of Finding 4 which asserts there is such a contractual obligation. Now that the Board has been made aware of the ambiguities contained in the contractual provisions of the Fund, the Board believes that it would have been prudent, in fact preferable, for its employees to have received special notice of the transfers, whether or not such notice was contractually required.

The Report does not give any information about why the statement attributed to John DeLury appears in Finding 4. (Mr. DeLury retired from the College as its Vice President of Finance & Administration after the Board meeting held on March 14, 2000.) For that reason, the majority of the Board generally agrees with the statement but is uncertain as to how that statement relates to Finding 4.

**Finding 5:**

"Union representatives of the faculty and classified employees participating in the Post Retirement Medical Fund were derelict in their duty to safeguard the funds of their constituents."

### **Response to Finding 5:**

The majority of the Board of Trustees generally agrees with Finding 5, except for use of the word "derelict".

### **Finding 6:**

"The Post Retirement Medical Fund was and is identified on Sierra College audits from 1991 to 2000 as a 'fiduciary' account.

The Grand Jury concluded that the Post Retirement Medical Fund was in fact a 'fiduciary account' identified variously on fiscal records of the College, the Placer County Office of Education, and the Placer County Treasurer as an 'expendable trust account' and/or an 'agency account.'"

### **Response to Finding 6:**

The majority of the Board of Trustees agrees in part and disagrees in part with Finding 6.

The majority of the Board of Trustees agrees that the Fund was identified on Sierra College audits from 1991 to 2000 as a "fiduciary" account. The Board of Trustees disagrees that the Fund was identified on the audited financial statements of the College as an "agency account" because it was not. It is an expendable trust fund. (See description of "trust funds" and "agency funds" in California Community Colleges Budget and Accounting Manual, 2000 edition, a copy of which is attached hereto as Exhibit 6 and incorporated herein by reference; see also letter from the College's auditor, Perry-Smith and Co., attached to this response as Exhibit 1 and incorporated herein by reference.)

The majority of the Board of Trustees lacks information as to whether the Fund was ever identified on the fiscal records of the Placer County Office of Education or the Placer County Treasurer as an "agency account". On that basis, the Board disagrees with that portion of Finding 6.

### **Finding 7:**

"The Post Retirement Medical Fund originally and through 1996 was identified on College financial records as a 'trust account' as defined by the Budget and Accounting Manual for California community colleges."

### **Response to Finding 7:**

The Board of Trustees agrees with Finding 7. The Fund is actually referred to as a "trust fund" on the financial records of the College. (See letter from Perry-Smith and Co., attached hereto as Exhibit 1 ).

**Finding 8:**

“The Post Retirement Medical Fund from about 1996 on has been identified as an ‘agency’ account as defined by the Budget and Accounting Manual for California community colleges.”

**Response to Finding 8:**

The majority of the Board of Trustees disagrees with Finding 8 with respect to the characterization of the Fund by the College. The audited financial statements maintained by the College for each year of the Fund, from the inception of the Fund in 1991 to the present, characterized the Fund as “an expendable trust fund”, as defined by the Budget and Accounting Manual for California community colleges, not an “agency account”. (See attached Exhibits 1 and 6.)

**Finding 9:**

“The funds contributed to the Post Retirement Medical Fund are ‘employee benefits’ as defined by the Budget and Accounting Manual for California community colleges.”

**Response to Finding 9:**

The majority of the Board of Trustees agrees in part and disagrees in part with Finding 9. The Board agrees with Finding 9 with respect to the common meaning of the term “employee benefits”. The stated purpose of the Fund is “to guarantee fully paid lifetime medical benefits for District . . . retirees.”

The majority of the Board disagrees with the manner in which the Grand Jury applied the term “employee benefits” to the funds of the Fund because it is somewhat incorrect. Unlike the “employee benefits” cited by the Grand Jury on page 9 of the Report, funds contributed to the Fund are not current debts or expenses of the College, except for the District’s annual matching contribution. On the contrary, these funds are assets held in trust for the benefit of the District’s employees and the District for the purpose stated in the Fund provisions.

**Finding 10:**

“The funds taken from the Post Retirement Medical Fund by College administrators were used to balance the College’s budgets of 1995-96 and 1998-99.”

**Response to Finding 10:**

The Board of Trustees agrees that the funds taken from the Fund by College administrators were used to balance the College’s budget of 1995-96. Funds taken from the Fund by College administrators were also used to balance the College’s budget of 1997-98, not 1998-99. See Exhibits 4 and 5 attached.

**Finding 11:**

“There is no evidence that funds taken from the Post Retirement Medical Fund by College administrators were used to pay ‘retiree’s health insurance premiums’”.

**Response to Finding 11:**

The majority of the Board of Trustees agrees with Finding 11, except to the extent that the audited financial statements of the College show that funds were transferred from the Fund to the General Fund, and the General Fund paid the retirees’ medical benefits in an amount far in excess of the funds transferred from the Fund.

**Finding 12:**

“College administrators and several trustees were well aware of the nature and purpose of the Post Retirement Medical Fund before, during and after the taking of \$165,000 from the fund.”

**Response to Finding 12:**

The majority of the Board of Trustees agrees with Finding 12, except for use of the word “taking”, to the extent it is intended to denote an improper or unlawful act.

**Finding 13:**

“The rationale for removal of funds from the Post Retirement Medical Fund presented to the Board of Trustees by a College administrator on September 22, 1998, was disingenuous. Such a taking of funds was clearly a violation of collective bargaining contract provisions regarding withdrawals of employer contributions.”

**Response to Finding 13:**

The majority of the Board of Trustees lacks sufficient facts to agree with Finding 13, and on that basis, disagrees. The Board lacks evidence that the rationale for removal of funds from the Fund presented to the Board of Trustees by a College administrator on September 22, 1998, was disingenuous. The provisions of the Fund are vague and unclear. The joint labor management benefit committee (described in the Fund) never established the procedures for administering the Fund, as required by the Fund provisions. (See Exhibits 2 and 12 attached to the Report.) The procedures should be established and the provisions rewritten to clarify under what circumstances withdrawals may be made from the Fund.

**Finding 14:**

“Sierra College has used the same contract audit firm for at least ten years.”

**Response to Finding 14:**

The Board of Trustees agrees with Finding 14.

**Finding 15:**

"The \$165,000 unilaterally removed from the Post Retirement Medical Fund (\$93,000 in 1995-96 and \$72,000 in 1998-99) by Sierra College was returned to that fund on December 29, 2000, along with \$32,444 from the Sierra College General Fund for estimated interest lost in its removal.

The result of the administration's inappropriate use of the \$165,000 from the Post Retirement Medical Fund is that the taxpayers paid the \$32,444 from the Sierra College General Fund for estimated interest lost in its removal."

**Response to Finding 15:**

The majority of the Board of Trustees agrees in part and disagrees in part with Finding 15. The Board of Trustees agrees that the \$165,000 removed from the Fund was returned to the Fund from the General Fund, on December 29, 2000, along with an additional \$32,444, which is the sum the College's auditors calculated to be the interest that otherwise would have accrued on the \$165,000, if these funds had remained in the Fund. The Board further agrees that \$93,000.00 was removed in fiscal year 1995-96. However, the \$72,000.00 was removed in fiscal year 1997-98, not 1998-99.

The majority of the Board of Trustees disagrees that the taxpayers paid the \$32,444 from the General Fund. The funds transferred to the General Fund continued to earn the same annual rate of interest they would have earned in the Fund. For this reason, there was no loss to the taxpayers.

**Finding 16:**

"In December 2000, the College Financial Officer and other administrators informed the Board of Trustees and Insurance Committee members that the College faces a shortfall of some \$700,000 for the 2000 – 2001 budget year due to falling student enrollment. They have proposed several alternatives to deal with this budgetary deficit, one of them being to take more money from the Post Retirement Medical Fund."

**Response to Finding 16:**

The Board of Trustees agrees with Finding 16. The Board takes this opportunity to state that the Board will not approve the transfer of money from the Fund to the General Fund until after the procedures for administering the Fund are established and the agreements are written to clarify the intent of the parties. Please see the Board's response to the recommendations of the Grand Jury, below.

### **III**

#### **Recommendations.**

##### **Recommendation 1:**

"In the future, if the College chooses to invade the Post Retirement Medical Fund again, they should notify their employees of their intentions to divert monies from the Fund to other uses."

##### **Response to Recommendation 1:**

The recommendation will be implemented in the near future. A committee of administrators and certificated and classified association representatives will be formed to establish the administrative procedures that will be used to oversee the Fund. The retirees who have contributed to the Fund have requested that this committee consider their input. Without requiring the committee to do so, the Board strongly urges the committee to grant the request. It is the Board's desire to implement the recommendation as soon as possible. The administrative procedures will become part of the collective bargaining contracts and must be negotiated. Therefore, although the Board cannot guarantee a timeline, it will guarantee that no monies will be transferred from the Fund until such procedures are in place.

##### **Recommendation 2:**

"The College should keep records of all expenditures and be able to produce documentation related to specific expenditures upon request by an authorized agency."

##### **Response to Recommendation 2:**

The recommendation will be implemented. Although the College administration believes that it does keep records of all expenditures, the Board has instructed the Business Services department to immediately review its processes and procedures and to make whatever changes are necessary to ensure that all legally required documents are produced in a timely manner. Upon completion of the review, the Business Services department will report its findings to the Board.

##### **Recommendation 3:**

"The pattern of covert behavior, such as was utilized in taking these funds and in previously documented activities of the administration and Board of Trustees, should cease immediately."

**Response to Recommendation 3:**

Although the majority of the Board does not agree with the conclusion that covert behavior was utilized, the Board has already taken steps to implement Recommendation 3 and to protect the integrity of the Fund. Please see the response to Recommendation 1.

**Recommendation 4:**

“Presentations to the Board of Trustees by College administrators and Board members one to the other should be accurate and not misleading.”

**Response to Recommendation 4:**

The recommendation will be implemented. The Board members and staff are aware of the above perception and problem and will take immediate steps to eliminate the problem by instructing staff to assure that their presentations are accurate, not misleading and understandable.

**Recommendation 5:**

“Contract auditors of College accounts should be changed on a regular basis as is normally done in most public and private agencies.”

**Response to Recommendation 5:**

Recommendation 5 requires further analysis. The Board will review its current practice and report back to the Grand Jury within six (6) months.

**Recommendation 6:**

“The alternative for balancing the 2000-2001 fiscal year budget by invading the Post Retirement Medical Fund again should be eliminated by the Board of Trustees and College administration at a public Board meeting. If the College desires to divert the Post Retirement Medical Fund monies to other uses, it should reopen negotiations with its employee organizations as required by State Law.”

**Response to Recommendation 6**

Although the majority of the Board does not believe that it invaded and diverted the Fund, the recommendation has been implemented. The Board will not take public action during

This is the response received from Sierra Joint Community College District Board of Trustees regarding Grand Jury Final Report 1 titled, "Sierra Joint Community College District Post Retirement Medical Fund."

the 2000-2001 budget year to transfer money from the Post Retirement Fund. Although the Board has no future plans to transfer money from the Fund, the Board will not take any action to transfer money from the Fund until the administrative procedures have been negotiated. Please see the response to Recommendation 1.

Respectfully submitted on the 27<sup>th</sup> of March, 2001.

**SIERRA JOINT COMMUNITY COLLEGE DISTRICT**

By: \_\_\_\_\_  
BARBARA VINEYARD  
President, Board of Trustees

PERRY-SMITH LLP



March 2, 2001

Ms. Marion L. Cantor  
Attorney at Law  
1105 Kennedy Place  
Suite 6  
Davis, California 95616

Dear Ms. Cantor:

At the request of Robert Wickstrom, I am forwarding my thoughts regarding the 2000-2001 Placer County Grand Jury Final Report 1. Mr. Wickstrom requested that I address the following findings:

**Finding 6**

The Post Retirement Medical Fund has consistently been characterized as an expendable trust fund in the District's audited financial statements since the Fund's inception. In governmental accounting there are several fund categories, including Governmental funds, Proprietary funds and Fiduciary funds. An expendable trust fund is included in the fiduciary fund category.

**Finding 7**

The Post Retirement Medical Benefits Fund has been consistently identified as a trust fund by the District. This is consistent with the presentation in the audited financial statements.

**Finding 8**

I was unable to determine which documents are referenced in the Grand Jury's report describing the Post Retirement Medical Benefits Fund as an "agency" fund.

**Finding 9**

Funds contributed to the Post Retirement Medical Benefits Fund represent assets available for the future payment of employee benefits. The Fund was created to accumulate assets for the payment of post retirement medical benefits.

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**EXHIBIT 1, PAGE 1 OF 2**

Ms. Marion L. Cantor

-2-

March 2, 2001

**Finding 9 (Continued)**

Payments for post retirement medical benefits are being made on a "pay as you go" basis from the District's General Fund. This accounting treatment is consistent with current Governmental Accounting Standards. Management recognized that a significant liability had been incurred by the District for post retirement medical benefits earned prior to the inception of the Post Retirement Medical Benefits Fund. In essence, the amount that is required to be paid in future years to retirees' for post retirement medical benefits under existing employment contracts is similar to an unfunded pension liability.

In response to the rapid rise in the annual cost of post retirement medical benefits, in 1990, the District took the initiative to have an actuarial valuation prepared to quantify the aggregate liability to the District for future payments to retirees'. It is important to note that Governmental Accounting Standards do not contain definitive accounting guidance for recognition of a liability for post retirement medical benefits. The District elected to begin accumulating resources in the Post Retirement Medical Benefits Fund. These resources were intended to achieve the following objectives:

- To provide an investment vehicle the earnings from which could be utilized to defray some portion of the expenditures for post retirement medical benefits being made from the General Fund. (Note that the current level of contribution to the Post Retirement Medical Benefits Fund will not provide the investment base to provide a significant source of investment income to further this objective.)
- Ensuring resources would consistently be available for payment of post retirement medical benefits regardless of the financial condition of the District's General Fund.

I have been unable to determine how the Agreement establishing the Post Retirement Medical Benefits Fund defines the protocols for utilizing Fund assets for payment of post retirement medical benefits.

I recommend that the District implement procedures to ensure that the Committee originally charged with the oversight of this Fund's assets aggressively discharges its stated responsibilities. Further, the Committee should be specifically charged with addressing the ambiguities over the accumulation and use of Fund assets.

If you have any questions please call me at (916) 441-1000.

Very truly yours,

  
Tom Perry-Smith

Partner

cc: Robert Wickstrom

PS

Sierra Joint Community College District  
Regular Meeting of the Board of Trustees  
Tuesday, January 14, 1997

**CONSENT AGENDA (Continued)**

**#9957, Acceptance of Donations (Continued)**

<u>Donor</u>	<u>Donation</u>
Quintin Hoard Grass Valley, CA	Chemistry equipment and glassware donated to the Sierra College Foundation.
Richard J. Burton Grass Valley, CA	One, 1985 Ford Crown-Victoria Station Wagon Vehicle ID Number 2FABP44FX217139 donated to the Sierra College Foundation to be utilized in the Automotive Technology Department
Sandra Slater Roseville, CA	One Tunturi E550 Recumbent Cycle donated to the Sierra College Foundation.
Fred Levy Sacramento, CA	One front-end alignment rack assembly donated to the Sierra College Foundation to be utilized in the Automotive Technology Department
Jim Jordan, Pres./CEO Schools Federal Credit Union Sacramento, CA	One annual \$500 scholarship donated to the Sierra College Foundation designated for use in the manner in which the Scholarship Committee thinks is most beneficial.
Dorothea Susman Grass Valley, CA	Spanish books donated to the Sierra College Foundation to be utilized by the Friends of the Library to enhance the college's offerings at both the Rocklin and Nevada County campuses.
Pat Barrentine	Extensive collection of books donated to the Sierra College Foundation to be utilized by the Friends of the Library to enhance the college's offerings at both the Rocklin and Nevada County campuses.

**#9958, Change Order No. 16, Learning Resource Center:** Approved Change Order No. 16 which will increase the expenditures with Mark Diversified, Inc. from \$14,278,903 to \$14,311,047.

The following Consent Agenda Items were pulled from the Consent Agenda for discussion and were voted on separately:



**#9955, Final Annual Audit Report 1995-96:** Tom Perry-Smith addressed the Board concerning the Independent Auditor's Report on the District's June 30, 1996 Financial Statements. A handout was distributed and discussed regarding "Information required to be communicated to the Board of Trustees." The information included scope limitations, internal controls, cooperation from management, adjustments proposed to the District's financial statements and new financial statement disclosure. Questions from members of the Board of Trustees and members of the community were responded to by staff members and Mr. Perry-Smith. It was ...

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Sierra Joint Community College District  
Regular Meeting of the Board of Trustees  
Tuesday, January 14, 1997

**CONSENT AGENDA** (Continued)

**#9955, Final Annual Audit Report 1995-96** (Continued)

... concluded that some of the confusion surrounding this issue was caused by the action of the Board adopting the Preliminary and Tentative (P&T) Audit Report at the December 10, 1996 meeting. It was explained that this action was done in order to comply with the December 31 deadline for acceptance of the Audit. It was stressed that members of the Budget, Finance & Audit Committee, on which three Board members serve, are updated monthly on the financial affairs of the District. This body reviewed and accepted the P&T Audit at its December 10 meeting prior to action by the Board as a whole, also on December 10. Direction of the Budget, Finance & Audit Committee was that if there were no changes from the P&T Audit to the final copy, the Audit could be accepted as final under the Consent Agenda. Mr. Perry-Smith reported that the Audit meets and exceeds the standards for disclosure. The information included in the report is very complex. The Budget, Finance & Audit Committee asked very detailed questions about the Audit before it was presented to the full Board for acceptance. He also remarked that the Board packet includes a great amount of detailed financial information every month. Mr. Perry-Smith was asked if the same format was used that had been used in the past, whether the district was financially stable, and if the district meets the State and Federal laws for reporting practices? The answer was "yes" to all questions, with Mr. Perry-Smith remarking that the district meets or exceeds the Chancellor's Office guidelines and generally accepted accounting practices. A motion was made by Dave Parker, seconded by Barbara Vineyard to accept the District's 1995-96 final annual financial audit as prepared by Perry-Smith & Company. The motion carried and the Annual Audit Report for 1995-96 was approved by a roll call vote. The roll call vote is indicated as follows:

AYES: Bush, Creek, Palmer, Parker, Vineyard  
NOES: Robison  
Absent: Tamblin

**#9956, Resolution #97-01: Government Code Section 20586 - "Golden Handshake"** Ms. Robison asked Peter Kolster to explain how a savings would be realized by the district if a Golden Handshake were offered to classified employees qualified to retire during the window period. Mr. Kolster explained that of those people eligible to retire, most were long term employees who are currently at the top of their salary schedules. A savings would be realized by replacing them with new employees who would be placed on Step A of the salary schedule, resulting in an immediate savings. Ms. Robison asked if there had always been a savings, never a ...

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**EXHIBIT 2, PAGE 2 OF 2**

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SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
Regular Meeting of the Board of Trustees  
January 12, 1999

MINUTES

The regular meeting of the Board of Trustees of the Sierra Joint Community College District was held in the LRC, Room 133, on the Rocklin Campus, 5000 Rocklin Road, Rocklin, California, on Tuesday, January 12, 1999, at 4:00 p.m.

Elected Board James F. Bush (in at 4:26 p.m.), Dave Ferrari (out at 5:30 p.m.), Members Present: Nancy B. Palmer, David W. Parker, Sally A. Robison, and

Barbara J. Vineyard

Board Members Absent: David E. Creek

Superintendent/President: Kevin Ramirez

Senate/Council Barry Abrams, Faculty Senate (in at 4:05 p.m.)  
Representatives: Brian Haley, Management Senate  
Joyce Kelley, College Council  
Ruth Navarette, Classified Senate

Student Representative: Ria Vergara

Staff/Visitors: Deborah Blue, Mandy Davies, Jan DeLapp, John DeLury, Aaron Fry, Bill Hudson, Darlene Jackson, Lawrence Lee, Joan Merriam, Steve Metzgar, Margaret O'Connor, Claudia Orlando, Bob Pasko, Tom Perry-Smith, Jan Powers, William Stalder, Kathy Twisselmann, Kay Valler, Robert Wickstrom, Susan Williams, Woody Wilson (in at 4:11 pm), and Sue Fisher

**CALL TO ORDER AND PRESIDENT'S OPENING REMARKS**

Board President Nancy Palmer called the meeting to order at 4:03 p.m., welcomed everyone to the meeting, and asked Dave Ferrari to lead the Salute to the Flag.

**RECEIPT OF AUDIT**

Item #10598, 1997-98 Financial Audit – John DeLury introduced Tom Perry-Smith who was available to answer questions relative to the Financial Audit. The audit was reviewed during the Finance Committee meeting held immediately preceding the Board meeting. Copies of the audit report were distributed/discussed. The findings and recommendations for the prior year's audit were also reviewed.

5203

**EXHIBIT 3**

MAR. 1. 2001 9:29AM SIERRA COLLEGE BUSINESS OFFICE

NO. 098 P. 3  
*Source: Perry Smith*  
*Audited*  
*Financial Statements*

SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES  
 AND FIDUCIARY FUNDS

For the Year Ended June 30, 1996

	Governmental Fund Types			Fiduciary Funds	Total (Memorandum Only)
	General	Debt Service	Capital Projects		
Revenues:					
Federal sources	\$ 960,357			\$ 1,536,427	\$ 2,496,784
State apportionment	4,590,505		\$ 16,340,686	310,467	21,241,658
Local sources	28,050,770	\$ 2,428	333,592	979,147	29,365,937
Total revenues	33,601,632	2,428	16,874,278	2,826,041	53,104,379
Expenditures:					
Certificated salaries	13,241,725				13,241,725
Classified salaries	7,399,613			24,731	7,424,344
Employee benefits	5,284,259			1,826	5,286,085
Books and supplies	1,598,246		724	65,930	1,664,900
Contract services and operating expenditures	4,188,515		47,234	528,023	4,763,772
Capital outlay	1,610,166		20,243,300	23,261	21,876,727
Debt service:					
Principal retirement	517,000	38,000	97,274		652,274
Interest	353,942	21,469	175,343		550,754
Student financial aid				1,673,990	1,673,990
Student body expenditures				250,328	250,328
Other	94,498			21,809	116,307
Total expenditures	34,287,964	59,469	20,563,875	2,589,898	57,501,206
(Deficiency) excess of revenues (under) over expenditures	(686,332)	(57,041)	(3,889,597)	236,143	(4,396,827)
Other financing sources (uses):					
Operating transfers in	612,739	60,000	845,467	70,912	1,589,118
Operating transfers out	(913,646)		(500,000)	(112,739)	(1,526,385)
Proceeds from capital leases	400,000				400,000
Total other financing sources (uses)	99,093	60,000	345,467	(41,827)	462,733
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(587,239)	2,959	(3,544,130)	194,316	(3,934,094)
Fund balances, July 1, 1995	4,320,561	61,278	7,422,250	2,311,425	14,115,514
Fund balances, June 30, 1996	\$ 3,733,322	\$ 64,237	\$ 3,878,120	\$ 2,505,741	\$ 10,181,420

*TRANSFER MADE TO help offset deficit*

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

(1)

MAR. 1. 2001 9:29AM SIERRA COLLEGE BUSINESS OFFICE

NO. 098 P. 4  
*Source: Perry Sr  
 Auditor's journal  
 1/1/1996*

SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES

ALL FIDUCIARY FUNDS

For the Year Ended June 30, 1996

	Student Financial Aid Fund	Student Body Organiza- tions	Sierra College Founda- tion	Post Retirement Medical Fund	Total
<b>Revenues:</b>					
Federal sources	\$ 1,536,427				\$ 1,536,427
Other State sources	66,651		\$ 243,816		310,467
Other local sources		\$ 262,680	333,058	\$ 383,409	979,147
<b>Total revenues</b>	<u>1,603,078</u>	<u>262,680</u>	<u>576,874</u>	<u>383,409</u>	<u>2,826,041</u>
<b>Expenditures:</b>					
Classified salaries			24,731		24,731
Employee benefits			1,826		1,826
Books and supplies			65,930		65,930
Contract services and operating expenditures			528,023		528,023
Capital outlay			23,261		23,261
Student financial aid	1,673,990				1,673,990
Student body expenditures		250,328			250,328
Other			680	21,129	21,809
<b>Total expenditures</b>	<u>1,673,990</u>	<u>250,328</u>	<u>644,451</u>	<u>362,280</u>	<u>2,589,899</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(70,912)</u>	<u>12,352</u>	<u>(67,577)</u>	<u>362,280</u>	<u>236,143</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	70,912				70,912
Operating transfers out	(19,739)			(93,000)	(112,739)
<b>Total other financing sources (uses)</b>	<u>51,173</u>			<u>(93,000)</u>	<u>(41,827)</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>(19,739)</u>	<u>12,352</u>	<u>(67,577)</u>	<u>269,280</u>	<u>194,316</u>
<b>Fund balances, July 1, 1995</b>	<u>19,739</u>	<u>184,217</u>	<u>537,715</u>	<u>1,569,754</u>	<u>2,311,425</u>
<b>Fund balances, June 30, 1996</b>	<u>\$ -</u>	<u>\$ 196,569</u>	<u>\$ 470,138</u>	<u>\$ 1,839,034</u>	<u>\$ 2,505,741</u>

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

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**SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**ALL GOVERNMENTAL FUND TYPES  
AND FIDUCIARY FUNDS**

For the Year Ended June 30, 1998

	Governmental Fund Types				Total (Memorandum Only)
	General	Debt Service	Capital Projects	Fiduciary Funds	
<b>Revenues:</b>					
Federal sources	\$ 1,073,671			\$ 2,428,532	\$ 3,502,203
State apportionment	10,854,649		\$ 1,134,438	111,346	12,100,433
Local sources	33,693,559	\$ 2,586	136,123	1,147,072	34,979,340
<b>Total revenues</b>	<b>45,621,879</b>	<b>2,586</b>	<b>1,270,561</b>	<b>3,686,950</b>	<b>50,581,976</b>
<b>Expenditures:</b>					
Academic salaries	16,833,940				16,833,940
Classified salaries	9,311,457			49,866	9,361,323
Employee benefits (Notes 9 and 10)	6,194,049			31,721	6,194,049
Books and supplies	2,149,335				2,181,056
Contract services and operating expenditures	7,188,061		448,107	217,837	7,854,005
Capital outlay	3,011,622		2,480,403	77,650	5,569,675
Debt service:					
Principal retirement (Note 8)	315,391	39,000			354,391
Interest	16,017	19,106	234,361		269,484
Student financial aid				2,649,718	2,649,718
Student body expenditures				220,093	220,093
Other	460,671		191,882		652,553
<b>Total expenditures</b>	<b>45,480,543</b>	<b>58,106</b>	<b>3,354,753</b>	<b>3,246,885</b>	<b>52,140,287</b>
Excess (deficiency) of revenues over (under) expenditures	141,336	(55,520)	(2,084,192)	440,065	(1,558,311)
Other financing sources (uses):					
Operating transfers in (Note 5)	79,500	60,000	1,003,316	118,687	1,261,503
Operating transfers out (Note 5)	(1,139,003)			(79,500)	(1,218,503)
Proceeds from capitalized leases (Note 8)	404,040				404,040
Proceeds from the issuance of COPS (Note 8)			6,005,000		6,005,000
Payment to Escrow Agent (Note 8)			(2,273,969)		(2,273,969)
<b>Total other financing sources (uses)</b>	<b>(655,463)</b>	<b>60,000</b>	<b>4,734,347</b>	<b>39,167</b>	<b>4,178,071</b>
<b>(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses</b>	<b>(514,127)</b>	<b>4,480</b>	<b>2,650,155</b>	<b>479,252</b>	<b>2,619,760</b>
and balances, July 1, 1997	4,783,291	67,480	2,889,864	3,169,493	10,910,128
and balances, June 30, 1998	\$ 4,269,164	\$ 71,960	\$ 5,540,019	\$ 3,648,745	\$ 13,529,888

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

TRANSFER MADE TO  
help offset deficit

MAR. 1. 2001 9:30AM

SIERRA COLLEGE BUSINESS OFFICE

NO. 098 P. 8  
*Source: less over the  
 audited financial  
 statements*

SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES (DEFICIT)

ALL FIDUCIARY FUNDS

For the Year Ended June 30, 1998

	Student Financial Aid Fund	Student Body Organiza- tions	Sierra College Founda- tion	Post- Retirement Medical Fund	Total
<b>Revenues:</b>					
Federal sources	\$ 2,428,532				\$ 2,428,532
Other State sources	111,346				111,346
Other local sources	11,202	\$ 241,188	\$ 495,726	\$ 398,956	1,147,072
<b>Total revenues</b>	<u>2,551,080</u>	<u>241,188</u>	<u>495,726</u>	<u>398,956</u>	<u>3,686,950</u>
<b>Expenditures:</b>					
Classified salaries			49,866		49,866
Books and supplies			31,721		31,721
Contract services and operating expenditures			217,837		217,837
Capital outlay			77,650		77,650
Student financial aid	2,649,718				2,649,718
Student body expenditures		220,093			220,093
<b>Total expenditures</b>	<u>2,649,718</u>	<u>220,093</u>	<u>377,074</u>		<u>3,246,885</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(98,638)</u>	<u>21,095</u>	<u>118,652</u>	<u>398,956</u>	<u>440,065</u>
<b>Other financing sources:</b>					
Operating transfers in	118,687				118,687
Operating transfers out	(7,500)			(72,000)	(79,500)
<b>Total other financing sources (uses)</b>	<u>111,187</u>			<u>(72,000)</u>	<u>39,187</u>
<b>Excess of revenues and other financing sources over expenditures</b>	<u>12,549</u>	<u>21,095</u>	<u>118,652</u>	<u>326,956</u>	<u>479,252</u>
<b>Fund balances (deficit), July 1, 1997</b>	<u>(2,566)</u>	<u>212,535</u>	<u>747,313</u>	<u>2,212,211</u>	<u>3,169,493</u>
<b>Fund balances, June 30, 1998</b>	<u>\$ 9,983</u>	<u>\$ 233,630</u>	<u>\$ 865,965</u>	<u>\$ 2,539,167</u>	<u>\$ 3,648,745</u>

*out to general fund*

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

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**SIERRA JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. NOTES PAYABLE**

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 1997 the District issued Tax and Revenue Anticipation Notes (TRANS) in the amount of \$5,000,000 to provide for fiscal 1998 operating and other expenditures prior to the receipt of local taxes. The TRANS, with interest payable at 4.5%, will mature September 30, 1998. At June 30, 1998, funds totaling \$5,178,804 in the General Fund were on deposit with a Fiscal Agent to repay the TRANS principal and interest.

**4. EQUIPMENT AND FIXTURES**

Equipment and fixtures included in the Bookstore Enterprise Fund at March 31, 1998 consisted of the following:

Furniture and fixtures	\$ 168,484
Equipment	<u>244,246</u>
	412,730
Less accumulated depreciation	<u>(293,155)</u>
Net equipment and fixtures	<u>\$ 119,575</u>

**5. INTERFUND ACTIVITY**

Interfund due from/to amounts at June 30, 1998 and operating transfers for the year then ended were as follows:

	<u>Interfund Balances</u>		<u>Interfund Operating Transfers</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ 72,000	\$ 79,500	\$ 1,139,003
Debt Service Fund			60,000	
Capital Projects Fund			1,003,316	
Fiduciary Funds:				
Student Financial Aid Fund			118,687	7,500
Post Retirement Medical Fund	\$ 72,000			72,000
Proprietary Funds:				
Dormitory Revenue Fund			<u>17,000</u>	<u>60,000</u>
	<u>\$ 72,000</u>	<u>\$ 72,000</u>	<u>\$ 1,278,503</u>	<u>\$ 1,278,503</u>

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## FIDUCIARY FUNDS GROUP

- 70 Trust Funds
  - 80 Agency Funds
- 

### General Description

The Fiduciary Funds Group is used to account for assets held by the district in a trustee or agency capacity for individuals, private organizations, other governmental units, and/or other funds. Activities related to district operations should not be reported in fiduciary funds.

The Fiduciary Funds Group is comprised of trust and agency funds. There is no definitive guidance for distinguishing between trust and agency funds. They differ in degree rather than in kind. However, the primary distinction between trust funds and agency funds is that the district or college may exercise some discretion in the disbursement or expenditure of the moneys in the trust funds but does not have discretionary power or authority in agency funds. For example, if a district receives a contribution for a scholarship in which the district determines the recipient, it should be recorded in the Scholarship and Loan Trust Fund. However, if the same contribution provided that the donor determines the recipient of the scholarship, it should be recorded in the Scholarship and Loan Agency Fund.

An important accounting distinction between the two fund types is that revenues, expenditures/expenses and fund balance are reported in trust funds while agency funds recognize only increases and decreases in the liability to the owners of the assets.

If any of the following conditions are present, a trust fund is appropriate.

- There is a formal agreement granting the district discretionary authority.
- There are contractual or regulatory conditions restricting the use of the funds or requiring the district to exercise a management role or report the results of operations in its financial statements.
- There is a compelling reason to measure operations (revenues, expenditures/expenses, and fund balance) and report the results in the district's financial statements. Examples of compelling reasons may include the materiality of the revenues and expenditures/expenses, or the usefulness of the information to the readers of the financial statements.

As a general rule, districts should recognize all cash pass-through grants as revenue and expenditures or expenses in a governmental, proprietary, or trust fund pursuant to GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance."

Agency funds are characterized by a purely custodial relationship. As a result, there is no measurement of operations or fund balance; assets are always matched by the liability to the owners of those assets. Examples of fiduciary relationships in which agency funds are appropriate include deferred

compensation plans and certain fiscal agent agreements or pass through grants in which the district serves only as a cash conduit. i.e., it has no administrative or direct financial involvement in the program.

Trust and agency funds include the following four subfund types: nonexpendable trust funds, *expendable trust funds, agency funds, and pension trust funds.*

### General Accounting Principles

- Trust funds include expendable and nonexpendable trusts that use the modified and full accrual bases of accounting, respectively. In both expendable and nonexpendable trusts, the measurement of operations is reported.
- Agency funds use the modified accrual basis of accounting and do not report operations (revenues, expenditures/expenses, and fund balance). The district only recognizes increases and decreases in the liability to the third party.
- Depreciation is recognized in nonexpendable trust funds where expenses, net income, and/or capital maintenance are measured.