

**LOS RIOS COMMUNITY  
COLLEGE DISTRICT**

**SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2012**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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# LOS RIOS COMMUNITY COLLEGE DISTRICT

## ORGANIZATION YEAR ENDED JUNE 30, 2012

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### DESCRIPTION OF THE DISTRICT

The District, a political subdivision of the State of California, was established on July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass portions of Sacramento, Yolo, El Dorado, Placer, and Solano 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 vocational training at American River College, Cosumnes River College, Folsom Lake College, and Sacramento City College.

### BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ruth Scribner	President	2012
Pamela Haynes	Vice President	2012
Kay Albiani	Member	2012
Terry Cochran	Member	2012
Dustin Johnson	Member	2014
Deborah Ortiz	Member	2014
Robert Jones	Member	2014
Bryan Ryan	Student Member	2012

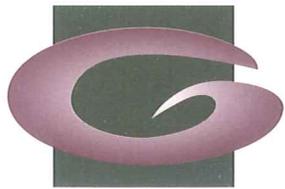
### DISTRICT ADMINISTRATION

Dr. Brice W. Harris.....Chancellor  
Jon Sharpe .....Deputy Chancellor  
Dr. Sue Lorimer ..... Vice Chancellor, Education and Technology  
Vacant ..... Vice Chancellor, Resource and Economic Development

### COLLEGE ADMINISTRATION

Dr. David Viar ..... President, American River College  
Dr. Deborah Travis ..... President, Cosumnes River College  
Dr. Rachel Rosenthal ..... President, Folsom Lake College  
Dr. Kathryn E. Jeffery ..... President, Sacramento City College

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees  
Los Rios Community College District  
Sacramento, California**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Los Rios Community College District (the District) as of and for the year ended June 30, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Los Rios Community College 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, 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 the 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 the Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefits 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 methods of preparing the information, and comparing

**To the Board of Trustees  
Los Rios Community College District  
Page 2**

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Supplementary Information and Additional Information sections, as listed in the Table of Contents, are presented for purposes of additional analysis, and are not a required part of the financial statements. The accompanying Supplementary Information section 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 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. The Supplementary Information section is the responsibility of management and 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 Supplementary Information section is fairly stated in all material respects in relation to the financial statements as a whole. The Additional Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 3, 2012**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

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### INTRODUCTION

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Los Rios Community College District (the District). The MD&A has been prepared by management and should be read in conjunction with the financial statements. The purpose of the basic financial statements is to summarize the financial status of the District, as a whole, and to present a long term view of the District's finances.

The basic financial statements include four components:

1. *Statement of Net Assets* represents the District's combined assets, liabilities, and net assets. Changes in total net assets are based on the activities presented in the statement of revenues, expenses, and changes in net assets.
2. *Statement of Revenues, Expenses, and Changes in Net Assets* represents the revenues earned and expenses incurred by the District.
3. *Statement of Cash Flows* presents detailed information about the cash activities of the District during the year.
4. *Notes to the Basic Financial Statements* provide additional information critical for the review of the financial statements.

The District follows the financial reporting standards established by the Government Accounting Standards Board (GASB) Statements No. 34 ("*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*") and 35 ("*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*") using the Business Type Activity (BTA) model. The California Community Colleges Chancellor's Office has adopted the Business Type Activity (BTA) model of the standard for all colleges to use and these statements are prepared accordingly.

### FINANCIAL HIGHLIGHTS

California community college funding was reduced by almost \$800 million since 2008-09. The District's ongoing share is \$33.1 million. In 2011-12, the enacted State budget significantly overstated enrollment fee revenues which created an additional one-time net reduction to revenues of \$5.1 million. The extent of this shortfall was not known until seven months into the fiscal year, two months after districts had been hit by mid-year trigger cuts due to State General Fund revenues coming in below budget projections. The result was the District's 2011-12 funding was \$38.2 million below its 2008-09 funding. In addition, compensation costs, such as step and column and health and welfare benefits, have increased by \$14.8 million since 2008-09.

At the start of the downturn, the District developed a multi-year plan to maintain operations while ensuring financial stability. This plan is a balanced approach including reducing: course offerings, positions through attrition, and operational costs. In addition, cost increases were managed by passing a portion of health care premium increases to employees and using a prudent level of reserves to maintain salary schedules. Using a balanced approach, the District continued to provide high quality academic programs to its students while minimizing the impact of these reductions on our employees.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

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The District's Governing Board designated up to \$26 million in reserves to be used to support operations until revenues are restored or reductions are sufficient to balance the budget. The use of reserves enabled the District to be very strategic in making reductions to ensure core structures remain in place. Through 2011-12, the District has used \$6.4 million of the \$26 million.

Consistent with the careful planning to address both current and future needs, the District continued improvement of its educational facilities through: 1) its two general obligation bond programs: Measure A, a \$265 million authorization passed by voters in March 2002; and Measure M, a \$475 million authorization passed in November 2008, and 2) continued State capital outlay funds (\$13.2 million in 2011-12). During 2011-2012, the District expended \$88.2 million in capital asset expenditures compared to \$40.9 million in 2010-2011. And, as of June 30, 2012, the District had construction commitments totaling \$82.2 million.

The District refinanced its bond debt by issuing two series of general obligation refunding bonds:

- On October 20, 2011, the District partially refunded the outstanding 2002 Series B bonds. Of the \$53.2 million of outstanding Series B General Obligation bonds, \$41.1 million of the bonds were called and refunded by issuing \$40.2 million of 2011 Refunding Bonds. The called bonds were paid in full, including a 2% call premium and interest earned, on August 1, 2012. The true interest cost (TIC) of this refunding bond issue was 3.336% and will save the taxpayers approximately \$1.3 million (net present value) over the 16 year term of this new issue.
- On March 28, 2012, the District issued \$62.92 million in 2012 General Obligation Refunding Bonds. The proceeds of this refunding issue were used to retire \$9.95 million of Series B bonds (called on August 1, 2012) and will be used to retire \$54.26 million of Series C bonds (to be called on August 1, 2014). A total of \$64.21 million of bonds will be refunded by issuing \$62.92 million in new bonds at reduced interest rates. TIC of this refunding issue was 3.189% and will save taxpayers approximately \$2.7 million (net present value) over the 18.5 year term of this new issue.

The unrefunded bond debt of Series B (\$2.2 million) and Series C (\$6.6 million) bonds will mature as scheduled on August 1, 2012, 2013, and 2014.

### ATTENDANCE

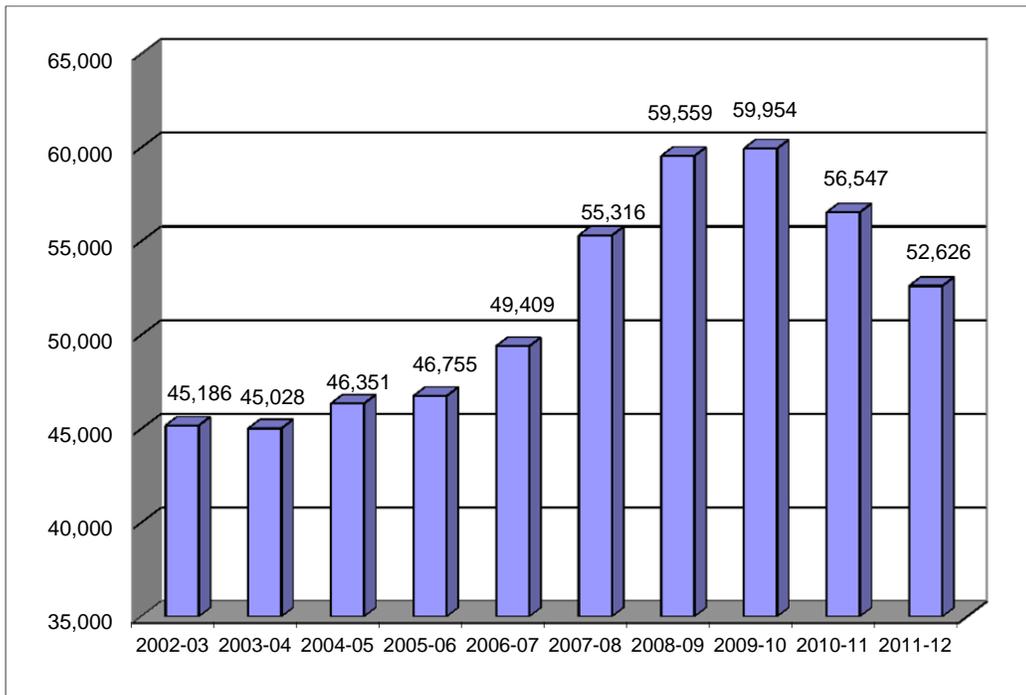
Attendance declined by 7% in 2011-12. This decline correlates to the planned course reductions in response to the reduction in State funding. However, even with this decrease in attendance, the District still served 4,299 full time equivalent students (FTES) above our State maximum funded level. The District has been able to serve unfunded students at no additional cost due to high instructional productivity levels. However, as the graph on the next page illustrates, the District's total instructional program has been reduced significantly.

Fall 2011 student headcount was 81,983 compared to 90,545 for Fall 2009, a reduction of 9.5% over the last two years.

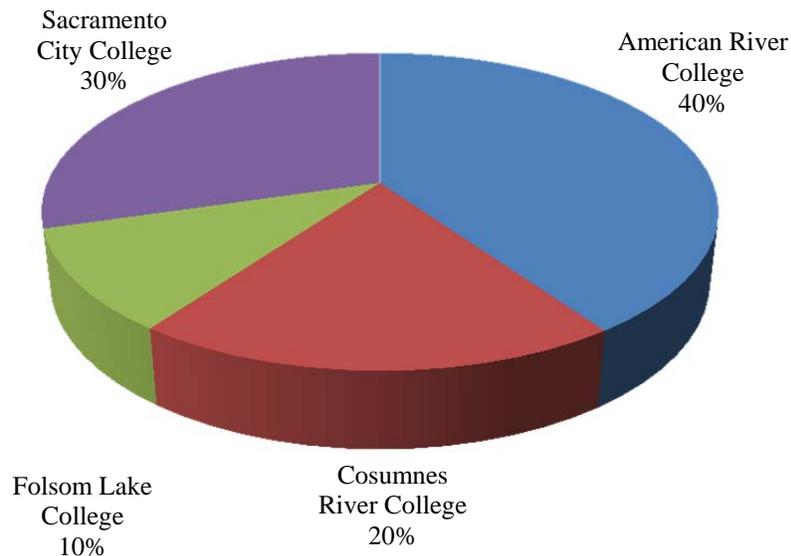
# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

### Los Rios Community College District Attendance History – Resident FTES Only



### District Enrollments 2011-12



# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

### STATEMENT OF NET ASSETS

	2012	2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$88,600,152	\$113,626,130
Restricted cash and cash equivalents	105,619,926	83,624,955
Short-term investments	537,898	530,860
Receivables	86,462,190	61,050,854
Inventory, prepaid, and other assets	8,496,741	5,365,755
<b>Total Current Assets</b>	<b>289,716,907</b>	<b>264,198,554</b>
Noncurrent Assets:		
Restricted investments	23,908,957	94,901,673
Long-term investments	8,233,186	8,829,316
Deferred charges	2,407,166	2,595,636
Capital assets, net	526,962,238	470,301,183
<b>Total Noncurrent Assets</b>	<b>561,511,547</b>	<b>576,627,808</b>
<b>TOTAL ASSETS</b>	<b>\$851,228,454</b>	<b>\$840,826,362</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	33,943,263	22,514,158
Deferred revenue	14,184,489	11,309,287
Other current liabilities	21,007,180	21,975,778
<b>Total Current Liabilities</b>	<b>69,134,932</b>	<b>55,799,223</b>
Noncurrent Liabilities:		
Long-term liabilities, noncurrent portion	336,945,980	349,127,737
<b>TOTAL LIABILITIES</b>	<b>406,080,912</b>	<b>404,926,960</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	294,393,476	279,647,331
Restricted	26,568,257	21,065,483
Unrestricted		
Reserve for noncash assets	5,855,358	5,428,295
Contractual obligations	16,472,036	21,769,204
Designated for capital and other projects	63,856,142	59,147,977
General Fund shortfall reserve	19,633,946	25,831,000
Unrestricted/general contingency reserve	18,368,327	23,010,112
<b>Total Unrestricted</b>	<b>124,185,809</b>	<b>135,186,588</b>
<b>TOTAL NET ASSETS</b>	<b>445,147,542</b>	<b>435,899,402</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$851,228,454</b>	<b>\$840,826,362</b>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

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### *Statement of Net Assets Highlights*

- Cash and cash equivalents decreased by \$25 million (22%) due primarily to an additional \$14.8 million apportionment deferral to 2012-13.
- Restricted cash and cash equivalents increased by \$22 million (26%) due to liquidation of restricted investments in anticipation of Measure A and M capital project expenditures.
- Receivables increased by \$25.4 million (42%) due primarily to the increase in State apportionment receivable over the prior year of \$14.8 million and an increase in Federal and State reimbursement receivables for capital expenditures.
- Inventory, prepaid and other assets increased by \$3.1 million (58%) primarily from excess assets of approximately \$2.8 million in the District's other post-employment benefit trust over the actuarial accrued liability.
- Restricted investments decreased by \$71 million (75%) due to the sale of investments for Measure A and M capital project expenditures of \$55 million and \$8.6 million of bond premium to service debt for Measure M principal and interest payments.
- Capital assets, net increased by \$56.6 million (12%) primarily due to the increased number of projects from Measure M totaling \$43.2 million.
- Accounts payable and accrued liabilities increased by \$11.4 million (51%) primarily due to the increase in expenditures incurred but not yet paid for Measure M capital projects.
- Deferred revenue increased by \$2.9 million (25%). Fall registration fees collected prior to July 1, 2012 are deferred. The \$10 per unit increase in the Fall 2012 enrollment fee to \$46 per unit is the primary cause for this increase.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

### REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2012	2011
<b>Operating Revenues:</b>		
Net tuition and fees	\$21,873,283	\$21,333,840
Grants, contracts, and other designated revenues, noncapital	39,697,453	36,155,745
Auxiliary enterprise sales	18,678,056	18,256,587
Other operating income	2,491,898	2,654,500
<b>Total Operating Revenue</b>	<b>82,740,690</b>	<b>78,400,672</b>
Total Operating Expenses	330,235,787	336,207,571
<b>Operating Income (Loss)</b>	<b>(247,495,097)</b>	<b>(257,806,899)</b>
<b>Nonoperating Revenues (Expenses):</b>		
State apportionments, noncapital	172,654,279	196,108,609
Local property taxes	51,303,910	51,719,264
Lottery and other revenue	9,320,135	9,720,873
Investment income (expense)	226,574	284,591
Other nonoperating revenues (expenses)	(2,123,387)	(2,375,327)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>231,381,511</b>	<b>255,458,010</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(16,113,586)</b>	<b>(2,348,889)</b>
Apportionment and property taxes, capital	38,094,469	22,711,831
Interest income (expense), capital	(12,834,451)	(11,383,090)
Grants and gifts, capital	101,708	1,920,471
<b>Increase (Decrease) in Net Assets</b>	<b>9,248,140</b>	<b>10,900,323</b>
<b>Net Assets - Beginning of Year</b>	<b>435,899,402</b>	<b>424,999,079</b>
<b>Net Assets - End of Year</b>	<b>\$445,147,542</b>	<b>\$435,899,402</b>

#### *Revenue and Expense Highlights*

While the change in net assets over prior year was only 2%, certain categories within revenues are worth noting:

- Net tuition and fees remained the same, even with the increase in enrollment fee from \$26 per unit in fiscal year 2010-11 to \$36 per unit in fiscal year 2011-12. This was offset by decreased student enrollment and increased eligibility in Board of Governors (BOG) fee waivers.
- Grant revenue increased \$3.5 million, \$2.6 million of which was revenue earned from the Smart Grid Investment Grant, a pass-through grant with the Sacramento Municipal Utility District (SMUD).
- State apportionment, noncapital decreased \$23.4 million (12%) due to the decline in State funding for community colleges.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

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- Apportionment and property taxes, capital increased \$15.4 million (68%) primarily due to an increase in the property tax revenue of \$12 million for debt service payments on the Measures A and M bonds.
- Interest expense, capital increased due to the increase in scheduled interest costs associated with the new bonds issued.

### OPERATING EXPENSES

<u>Operating Expenses (by Natural Classification)</u>	<u>2012</u>	<u>2011</u>
Compensation	\$199,955,039	\$202,766,411
Employee benefits	54,551,043	51,077,272
Other post-employment benefits (OPEB)	(1,612,597)	3,448,374
Supplies, materials, other operating expenses, and services	47,776,187	51,131,301
Utilities	6,828,131	7,248,374
Depreciation	<u>22,737,984</u>	<u>20,535,839</u>
<b>Total Operating Expenses</b>	<b><u>\$330,235,787</u></b>	<b><u>\$336,207,571</u></b>

#### *Operating Expense Highlights*

- Compensation declined slightly (1%) as the District continued to reduce instructional program staffing, primarily part-time faculty positions. In addition, the District also reduced management and classified staff positions through attrition. This is part of the District's strategy to address the substantial decline in State funding.
- Although compensation decreased, employee benefits increased by 7% due to increases in unemployment insurance, health and dental premiums, and the District's contribution towards Public Employees Retirement System (PERS) benefits.
- Other post-employment benefits (OPEB) change was due to an increase in the actual value of assets held to pay current and future benefit obligations over the estimated actuarial accrued liability. The District met its Annual Required Contribution (ARC) obligation.
- Depreciation increased \$2.2 million (11%) due to newly constructed assets placed into service during the current year.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

### CASH FLOW

<u>Statement of Cash Flows</u>	<u>2012</u>	<u>2011</u>
Cash - Beginning of the fiscal year	\$197,251,085	\$153,735,033
Cash Provided (Used) By:		
Operating activities	(226,039,432)	(245,489,636)
Noncapital financing activities	<u>216,586,656</u>	<u>244,936,154</u>
Subtotal operating activities and noncapital financing activities	(9,452,776)	(553,482)
Capital and related financing activities	(64,072,829)	106,667,873
Investment activities	<u>70,494,598</u>	<u>(62,598,339)</u>
Net Increase (Decrease) in Cash	(3,031,007)	43,516,052
Cash - End of the fiscal year	<u>\$194,220,078</u>	<u>\$197,251,085</u>

#### *Cash Flow Highlights*

Operating activities and noncapital financing activities represent the resulting cash flow from the day-to-day functions of our educational enterprise. The net decrease in cash in 2011-2012 of approximately \$9.5 million results primarily from the reduction in State apportionment while conscientious management decisions attempted to minimize class reductions and other cuts to student services.

Capital and related financing activities primarily represent capital expenditures and financing to support those activities. In 2010-2011, the District issued \$130 million of 2008 Series A bonds while no new capital expenditure bonds were issued in 2011-2012. The two refunding bond issues sold in 2011-2012 refinanced existing debt but had minimal effect on cash balances. Also, expenditures for capital improvements ramped up in 2011-2012 with \$66 million spent compared to \$48.1 million in 2010-2011.

Investing activities primarily represents activity from investing bond proceeds until those funds are needed for capital expenditures. In 2010-2011, bond proceeds from the sale of the 2008 Series A bonds, amounting to \$141.2 million of bond principal plus premium, were invested until capital expenditures demanded liquidation to cash. Also, in 2010-2011, in addition to converting investments to cash to pay for capital expenditures, working capital (cash) was increased significantly due to accelerating construction activity and extremely low interest rates on short term investments. In 2011-2012, investing activities primarily represent liquidating investments as needed for capital expenditures.

In total, cash balances in 2011-2012 remained substantially level (\$3 million decrease) while \$43.5 million cash increase in 2010-2011 primarily represents the intentional buildup of working capital in the District's bond funds.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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

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### ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The enacted State budget for 2012-13 again included the potential for a mid-year reduction. The trigger in this case was Proposition 30, a State-wide initiative on the November ballot. If Proposition 30 failed, the California Community Colleges would be reduced by \$339 million or nearly 7.5%. If it passed, the State would begin to pay down the inter-year apportionment deferrals of \$961 million and provide \$50 million for growth. The Los Rios budget has always included three potential revenue scenarios: a best case, most likely, and worst case. As described earlier, this same budget tool was modified to a multi-year plan. For 2012-13, the worst case was based upon Proposition 30 failing and the best case was based upon its passing and the District receiving growth funds. The worst case included some very difficult reductions but resulted in a balanced budget by 2014-15 without using more than the \$26 million in reserves designated by the Board. The \$26 million is approximately one-half of Board-designated reserves in the District's capital outlay projects fund. The District does not plan to reduce its General Fund reserves.

Fortunately, Proposition 30 passed and although the reductions through 2011-12 are still in place, the potential for further reductions appears to be slight and the District should be able to maintain its current level of operations until funding is restored. This includes staying within the \$26 million authorization for use of reserves. The following reflects the current status of certain items with the passage of Proposition 30.

*Enrollment Fee Increases.* Effective with the Summer 2012 term, enrollment fees increased \$10 to \$46 per unit. Fees were \$20 in 2008-09. The increase in fees is an offset to the general apportionment reduction and do not result in additional revenues for districts. Thus far, fee increases do not appear to have significantly impacted enrollment as has been the case in past years when fees were increased.

*Apportionment Deferrals.* With the passage of Proposition 30, the State will begin to reduce the inter-year deferrals by allocating \$159 million for deferral reduction in 2012-13. The State was paying almost 1/5<sup>th</sup> of its apportionment obligation after the close of the fiscal year. The deferrals were causing a strain on districts' cash reserves and so this will bring relief in terms of cash flow as well as reducing the State's debt obligations.

*Cost Increases.* The State has not funded a cost of living increase (COLA) since 2007-08. Since 2008-09, the District's costs have increased more than \$14.7 million. For 2012-13, increases in medical premiums, unemployment insurance, and other employer paid benefits as well as step and column changes are projected at \$4.1 million, bringing the cumulative increase to \$18.8 million. The District has attempted to minimize increases by changing benefit cost structures, including increasing employee out-of-pocket costs, reducing utility costs, and other cost cutting strategies. In addition, the District is eliminating some positions through attrition.

*Education Bonds.* Due to the financial downturn, there is currently no educational bond slated for upcoming statewide ballot. Statewide, there are billions of dollars needed for community college capital facility projects. In addition, Proposition 98 funds reverting from past years are not available to support facility and equipment expenditures. These augmentations are very important for California community colleges to maintain their facilities and update instructional equipment.

*Future Bond Issuances.* The District has carefully managed its bond programs to maintain tax rates at or below the amounts projected in both ballot measures. Recently, many districts in the State have been under scrutiny for including capital appreciation bonds as part of their bond issuances. Los Rios has not issued any capital appreciation bonds. In addition, with the decline in the District's assessed valuation, future issuances will be sized to continue the building program while attempting to maintain the projected tax rates. This may require delaying some projects until State funds are available.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2012

	<b>Primary Institution</b>	<b>Foundation</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 88,600,152	\$ 960,073
Restricted cash and cash equivalents	105,619,926	-
Short-term investments	537,898	-
Accounts receivable, net	85,724,320	286,404
Interest receivable	737,870	-
Inventory	2,075,219	-
Prepaid expenses	3,665,079	-
Net OPEB asset	2,756,443	-
Total current assets	289,716,907	1,246,477
Noncurrent assets:		
Long-term investments	8,233,186	10,144,269
Restricted investments	23,908,957	-
Deferred charges	2,407,166	-
Pledged receivable, net	-	418,410
Capital assets, net	526,962,238	-
Total noncurrent assets	561,511,547	10,562,679
<b>TOTAL ASSETS</b>	<b>\$ 851,228,454</b>	<b>\$ 11,809,156</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 20,421,025	\$ 184,461
Accrued salaries and related benefits	7,850,176	7,918
Interest payable	5,672,062	-
Unearned revenue	14,184,489	-
Compensated absences	5,112,108	-
Other accrued liabilities	1,076,967	-
Amounts held on behalf of others	1,337,227	1,258
Long-term debt due within one year	13,480,878	-
Total current liabilities	69,134,932	193,637
Noncurrent liabilities:		
Payable under trust agreements	-	18,339
Compensated absences	11,549,708	-
Claims liability	6,708,250	-
Long-term debt	318,688,022	-
Total noncurrent liabilities	336,945,980	18,339
<b>TOTAL LIABILITIES</b>	<b>406,080,912</b>	<b>211,976</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	294,393,476	-
Restricted for:		
Nonexpendable:		
Scholarships	-	4,163,030
Expendable:		
Scholarships and loans	657,201	5,901,830
Capital projects	22,504,827	-
Other special purposes	3,406,229	-
Unrestricted	124,185,809	1,532,320
<b>TOTAL NET ASSETS</b>	<b>445,147,542</b>	<b>11,597,180</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 851,228,454</b>	<b>\$ 11,809,156</b>

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2012

	<b>Primary Institution</b>	<b>Foundation</b>
<b>OPERATING REVENUES</b>		
Tuition and fees (gross)	\$ 55,078,843	\$ -
Less: scholarship discounts and allowances	(33,205,560)	-
Net tuition and fees	21,873,283	-
Grants and contracts, noncapital:		
Federal	18,998,200	-
State	15,964,414	-
Local	4,734,839	-
Auxiliary enterprise sales and charges	18,678,056	-
Other operating income	2,491,898	-
<b>TOTAL OPERATING REVENUES</b>	<b>82,740,690</b>	<b>-</b>
<b>OPERATING EXPENSES</b>		
Salaries	199,955,039	41,887
Employee benefits	52,938,446	13,376
Supplies, materials, and other operating expenses and services	47,769,054	953,798
Utilities	6,828,131	-
Depreciation	22,737,984	-
Payments to students	7,133	396,362
<b>TOTAL OPERATING EXPENSES</b>	<b>330,235,787</b>	<b>1,405,423</b>
<b>OPERATING LOSS</b>	<b>(247,495,097)</b>	<b>(1,405,423)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	172,654,279	-
Local property taxes	51,303,910	-
Lottery, state taxes and other revenues	9,320,135	-
Interest income, noncapital	262,052	112,500
Investment expense, noncapital	(35,478)	(177,353)
Amortization of deferred charges	(172,403)	-
Financial aid revenues, federal	123,208,862	-
Financial aid revenues, state	4,549,172	-
Financial aid expenses	(130,022,128)	-
Other non-operating revenues - grants/gifts, non-capital	308,869	2,980,349
Other non-operating revenues - grants/gifts, misc	4,241	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>231,381,511</b>	<b>2,915,496</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>(16,113,586)</b>	<b>1,510,073</b>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>		
State apportionments, capital	13,211,357	-
Local property taxes and revenues, capital	24,883,112	-
Interest income, capital	799,513	-
Investment expense, capital	(87,591)	-
Interest expense on capital asset-related debt	(13,469,504)	-
Grants and gifts, capital	101,708	-
Loss from disposal of capital assets	(76,869)	-
<b>INCREASE IN NET ASSETS</b>	<b>9,248,140</b>	<b>1,510,073</b>
<b>NET ASSETS -- BEGINNING OF YEAR</b>	<b>435,899,402</b>	<b>9,914,586</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>172,521</b>
<b>NET ASSETS -- END OF YEAR</b>	<b>\$ 445,147,542</b>	<b>\$ 11,597,180</b>

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

	<b>Primary Institution</b>	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 23,507,929	\$ -
Federal grants and contracts	19,533,355	-
State grants and contracts	16,405,361	-
Local grants and contracts	5,351,922	-
Payments to suppliers	(55,904,656)	(568,105)
Payments to/on behalf of employees	(252,943,403)	(47,777)
Payments to/on behalf of students	(7,133)	(760,041)
Auxiliary enterprise sales and charges	18,656,013	-
Other payments	(638,820)	-
Net cash used by operating activities	(226,039,432)	(1,375,923)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	157,454,167	-
Local property and state taxes, lottery and other state receipts	60,624,045	-
Gifts and grants for other than capital purposes	313,110	2,881,360
Financial aid, scholarship, loan trust receipts - federal	123,747,579	-
Financial aid, scholarship, loan trust receipts - state	4,369,304	-
Financial aid expenses	(130,022,128)	-
Student organization agency payments	(59,417)	-
Interest on noncapital investments	196,427	354
Interest paid on non-capital debt	(36,431)	-
Net cash provided by noncapital financing activities	216,586,656	2,881,714
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from refunding bonds	116,284,788	-
Debt issuance costs	(700,742)	-
State apportionments for capital purposes	2,158,427	-
Capital grants and gifts received	101,708	-
Purchases of capital assets	(66,016,146)	-
Proceeds from sale of capital assets	24,500	-
Principal paid on capital debt	(12,220,000)	-
Principal paid on refunded bonds	(105,300,000)	-
Call premium on refunded bonds	(2,106,000)	-
Interest paid on capital debt	(23,436,491)	-
Interest paid on capital investments	2,264,599	-
Local property taxes and other revenues for capital	24,872,528	-
Net cash used by capital and related financing activities	(64,072,829)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	106,691,579	2,867,951
Interest on investments	32,375	161,797
Investment expense on investments	-	(49,255)
Purchases of investments	(36,229,356)	(4,549,468)
Net cash provided (used) by investing activities	70,494,598	(1,568,975)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,031,007)	(63,184)
<b>CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR</b>	197,251,085	1,023,257
<b>CASH AND CASH EQUIVALENTS -- END OF YEAR</b>	\$ 194,220,078	\$ 960,073

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS (Continued) YEAR ENDED JUNE 30, 2012

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	<u>Primary Institution</u>	<u>Foundation</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (247,495,097)	\$ (1,405,423)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	22,737,984	-
Changes in assets and liabilities:		
Accounts receivable, net	408,328	49,907
Inventory	(79,910)	-
Other assets	(3,125,317)	-
Accounts payable	(1,054,444)	(22,770)
Accrued salaries and related benefits	(431,596)	7,486
Unearned revenue	3,054,548	-
Compensated absences	462,963	-
Other accrued liabilities	(516,891)	(5,123)
Net cash used by operating activities:	<u>\$ (226,039,432)</u>	<u>\$ (1,375,923)</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 1. ORGANIZATION AND NATURE OF ACTIVITIES

**Definition of the Reporting Entity** – Los Rios Community College District (the District) is a political subdivision of the State of California and provides higher education in the greater Sacramento area, which consists of portions of five counties. The District consists of four colleges, three official centers, and several satellite locations located throughout the service area (the Primary Institution).

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent pass-through accounts and student organizations' activities within the District.

The District and the Los Rios Foundation (the Foundation) have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation have been included in the financial statements of the District. The separately audited financial statements of the Foundation may be obtained from the District.

The following are those aspects of the relationship between the District and the Foundation that satisfy the GASB:

*Accountability* – The Foundation operates under a master agreement with the District in accordance with the *California Education Code* requirements. The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

*Scope of Public Service* – The Foundation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Foundation was formed to promote and assist the educational services of the District.

*Discrete Presentation* – For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** – 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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before December 8, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

**Cash and Cash Equivalents** – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury (County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits; U.S. government securities; State registered warrants, notes, or bonds; State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The value of the District's position in the pool is the fair value of the pool shares. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2012, the fair value of the County pool is 100.24% of the carrying value. The County does not invest in derivatives. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The District has obtained a collateralization contract with Bank of America whereby all deposits will be secured by collateral held by BNY Western Trust Company. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”) provides temporary unlimited deposit insurance coverage for non-interest bearing accounts at all FDIC-insured depository institutions. The DFA is effective from December 31, 2010, through December 31, 2012.

**Restricted Cash and Cash Equivalents and Investments** – Cash and investments are externally restricted for contractual obligations, such as debt service payments, sinking or reserve funds, or to purchase or construct capital assets.

**Short-Term Investments** – The District is a voluntary participant in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF). The value of the District's investment in LAIF is the fair value of the pool shares. As of June 30, 2012, the fair value of LAIF is 100.12% of the carrying value. The total fair value amount invested by all public agencies in LAIF at June 30, 2012 was \$21,887,750,115. LAIF is a part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2012, were \$60,588,263,603. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2012, totaling \$1,297,405,000, approximately 2% of the total portfolio, and structured notes totaling \$800,000,000, approximately 1% of the total portfolio. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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**Long-Term Investments** – Long-term investments are reported at fair value. Fair value is determined from quoted market prices. The District is restricted by State law and the Board's investment policy in the types of investments that can be made. Permissible investments include the County Treasury, LAIF, federally insured deposits, and individual securities. The District's investment policy further limits its investments to U.S. government and government agency instruments, negotiable certificates of deposits, and corporate notes and bonds. The weighted-average maturity of all investments shall be three years or less. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that investments will be held to maturity.

**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 California. Accounts receivable also include amounts due from Federal, 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 utilizes the allowance method with respect to its accounts receivable. The allowance was \$170,979 at June 30, 2012.

**Inventory** – Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

**Prepaid Expenses** – Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

**Deferred Charges** – Deferred charges are bond issuance costs and are deferred and amortized over the term of the bonds using the straight-line method.

**Capital Assets** – Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$200 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed on a straight-line basis using the half-year convention over the estimated useful life of the assets, generally 50 years for buildings, 15 years for portables, 10 years for land improvements, 8 years for equipment, 5 years for library books, and 3 years for technology equipment. Land and construction in progress are considered non-depreciable capital assets; therefore, no depreciation is computed.

**Unearned Revenue** – Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

**Compensated Absences** – Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District has a load banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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**Amounts Held On Behalf of Others** – The liability represents funds collected and held by the District for certain third-party vendors, trusts, and college-related organizations.

**Bond Premium** – Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are recorded as long-term liabilities.

**Deferred Amount on Refunding** – Upon refinancing bond debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the term of the shorter of the life of the old or the new debt using the effective interest method. This difference is known as the deferred amount on refunding and is reported as an adjustment to the new debt liability. The net carrying amount of the old debt is the face value of the refunded bonds plus any unamortized premium or discount and any unamortized issuance costs related to old debt. The reacquisition price is the amount required to repay the previously issued debt in a refunding transaction. Any premium or discount and issuance costs pertaining to the new debt are not considered part of the reacquisition price and are amortized separately over the life of the new debt.

**Net Assets** – The District's net assets are classified as follows:

*Invested in Capital Assets – Net of Related Debt* 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 for capital assets but not yet expended, such amounts are not included as a component of invested in capital assets - net of related debt.

*Restricted Net Assets – Nonexpendable* consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.

*Restricted Net Assets – Expendables* include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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 towards restricted resources and then towards unrestricted resources.

**Classification of Revenues** – The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

*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* include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as State appropriations and investment income. This is according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*; and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments*.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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**Scholarship Discounts and Allowances and Financial Aid** – Student tuition and fee revenues are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. The District offers Board of Governors' (BOG) waivers to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

**Risk Management** – The District is self-insured for liability and property damage on the first \$250,000 and \$100,000 of each claim, respectively. The District is self-insured for workers' compensation claims on the first \$500,000 of each claim. Estimated losses and changes in prior-year reserve balances are expensed in the current period.

Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker. Coverage in excess of self-insurance limits for property damage and liability up to \$500,000,000 and \$50,000,000, respectively, are provided by pooled insurance as members of two joint powers authorities of California community colleges and school districts.

**Estimates Used in Financial Reporting** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest source of revenues, known as "Total Computational Revenue," includes property taxes, enrollment fees, and State revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

**Budgets and Budgetary Accounting** – By State law, the District's Board of Trustees 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 Board of Trustees satisfied these requirements.

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 Board of Trustees approves revisions to the budget.

**General Apportionment, Property Tax and Enrollment Fees** – The District's base funding is received from a combination of state apportionment, property taxes, and student enrollment fees.

The Counties (El Dorado, Placer, Sacramento, Solano, and Yolo) are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the Counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in three installments on or before February 10, June 10, and August 10.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The Counties' apportion of secured property tax revenue is in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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Property taxes are recorded as local revenue sources by the District. The California Community College Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as State general apportionment.

**Future GASB Statement Implementation** – In December of 2010, the GASB issued GASB Statement 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, with required implementation for the District during the June 30, 2013 fiscal year-end. The primary objective of GASB 62 is to incorporate applicable guidance from FASB pronouncements into the GASB statements. GASB 62 addresses a number of accounting and financial reporting areas, but the most significant areas that may affect the District relate to (a) capitalization of interest costs, (b) imputation of interest costs, and (c) statement of net assets classification. The guidance for the capitalization of interest costs reflects a change from previously issued guidance for governments using the business-type model. Since GASB 62 requires retroactive application, interest paid in prior years will need to be calculated and added to the cost of capital assets.

The GASB issued GASB Statement 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, in June of 2011 and March of 2012, respectively. The District is required to implement GASB 63 and GASB 65 during the June 30, 2013 fiscal year-end. GASB 63 renames net assets as net position and provides guidance on the definition and presentation of deferred outflows of resources (a consumption of net assets applicable to a future reporting period) and deferred inflows of resources (an acquisition of net assets applicable to a future reporting period). GASB 65 will impact certain items previously reported as assets and liabilities by (a) reclassifying them as deferred outflows or inflows of resources, or (b) recognizing them as outflows or inflows of resources. Both GASB 63 and 65 are required to be implemented retroactively and will require a restatement of beginning net position.

The District is reviewing GASBs 62, 63, and 65, and will determine the effect on the financial statements as of and for the year ending June 30, 2013.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2012, are classified in the accompanying statement of net assets as follows:

Cash and cash equivalents	\$ 88,600,152
Restricted cash and cash equivalents	105,619,926
Short-term investments	537,898
Long-term investments	8,233,186
Restricted investments	<u>23,908,957</u>
Total cash, cash equivalents and investments	<u>\$ 226,900,119</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

The District's cash, cash equivalents and investments as of June 30, 2012, consist of the following:

	<u>Fair Value</u>
Petty cash/cash awaiting deposit	\$ 3,965,776
Deposits with financial institutions	<u>5,223,379</u>
Pooled cash, cash equivalents and investments:	
County Treasury Pooled Investment Fund	185,030,923
Local Agency Investment Fund	<u>8,771,084</u>
Subtotal pooled cash, cash equivalents and investments	<u>193,802,007</u>
Investment securities:	
U.S. government agency securities:	
Federal Farm Credit Bank	615,363
Federal Home Loan Mortgage Corporation	<u>23,293,594</u>
Subtotal investment securities	<u>23,908,957</u>
Total cash, cash equivalents and investments	<u>\$ 226,900,119</u>

### Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2012, the District's bank balances were not exposed to custodial credit risk because all of the cash balances not held with the Sacramento County Treasury were fully insured. Non-interest bearing accounts are provided temporary unlimited deposit insurance coverage from the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) effective from December 31, 2010, through December 31, 2012. Interest bearing accounts are provided deposit insurance coverage within the standard FDIC insurance coverage of \$250,000 per financial institution.

### Credit Risk – Investments

*California Government Code*, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District's investment policy follows *California Government Code*, Section 53601, to limit its investment choices. The District's investment in the State and County investment pool are unrated. The District's investments in the U.S. government agency securities are rated AA+ by Standard & Poor's.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The proportion of investments in each of the permissible investment categories is restricted as defined in the *California Government Code*, Sections 53601 and 53635. The District holds 11% of its investments in the Federal Home Loan Mortgage Corporation.

### Interest Rate Risk – Investments

*California Government Code*, Section 53601, limits the District's investments to maturities of five years, unless the District Board has granted express authority to make that investment no less than three months prior to the investment.

The schedule of maturities at June 30, 2012, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (in Years)</u>	
		<u>Less Than 1</u>	<u>6-10</u>
County Treasury Pooled Investment Fund	\$ 185,030,923	\$ 185,030,923	\$ -
Local Agency Investment Fund	8,771,084	8,771,084	-
Federal Farm Credit Bank	615,363	-	615,363
Federal Home Loan Mortgage Corporation	23,293,594	23,293,594	-
Totals	<u>\$ 217,710,964</u>	<u>\$ 217,095,601</u>	<u>\$ 615,363</u>

The U.S. government agency securities (Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation) are mortgage-backed securities which entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage securities are sensitive to interest rate changes because principal payments either increase (in a low interest rate environment) or decrease (in a high interest rate environment). A change, up or down, in the payment rate will result in a change in the security yield.

#### 4. ACCOUNTS RECEIVABLE

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

Federal grants and contracts	\$ 2,868,062
State grants and contracts	1,116,882
Local grants and contracts	440,630
State apportionment - noncapital	66,082,779
State apportionment - capital	13,318,014
Auxiliaries	933,815
Interest receivable	737,870
Tuition and fees	637,877
Other	<u>326,261</u>
Total	<u>\$ 86,462,190</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### 5. CAPITAL ASSETS

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

	<u>Balance July 1, 2011</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Balance June 30, 2012</u>
Nondepreciated capital assets:				
Land	\$ 10,507,818	\$ 10,000	\$ (18,500)	\$ 10,499,318
Construction in progress	47,606,392	52,468,535	(33,386,045)	66,688,882
Depreciated capital assets:				
Site improvements	42,802,452	4,167,480	-	46,969,932
Buildings and improvements	461,748,951	47,137,974	-	508,886,925
Equipment	120,689,169	8,639,591	(309,550)	129,019,210
Library books	6,841,230	490,552	(680,608)	6,651,174
Total capital assets	690,196,012	112,914,132	(34,394,703)	768,715,441
Less: accumulated depreciation	<u>(219,894,829)</u>	<u>(22,737,984)</u>	<u>879,610</u>	<u>(241,753,203)</u>
Total capital assets - net	<u>\$ 470,301,183</u>	<u>\$ 90,176,148</u>	<u>\$ (33,515,093)</u>	<u>\$ 526,962,238</u>

### 6. LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Payments and Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
General obligation bonds	\$ 322,910,000	\$ 103,115,000	\$ (117,315,000)	\$ 308,710,000	\$ 11,315,000
Bond issuance premiums	16,826,347	13,169,787	(4,899,973)	25,096,161	2,674,189
Deferred amount on bond refunding	(1,038,145)	(7,253,988)	526,367	(7,765,766)	(724,553)
Certificates of participation	6,310,000	-	(205,000)	6,105,000	215,000
Certificates of participation issuance premiums	<u>24,747</u>	<u>-</u>	<u>(1,242)</u>	<u>23,505</u>	<u>1,242</u>
Total	<u>\$ 345,032,949</u>	<u>\$ 109,030,799</u>	<u>\$ (121,894,848)</u>	<u>\$ 332,168,900</u>	<u>\$ 13,480,878</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Advance Refunding

During the year, the District issued two (2) general obligation refunding bond series in order to refinance its outstanding indebtedness. To take advantage of low interest rates, both refunding issues were sold before the refunded bonds could be called and retired; thus, referred to as advance refunding.

Following is a summary of this refinancing activity:

	<u>Refunding Bonds Issued</u>	<u>2002 Series B Bonds Refunded</u>	<u>2002 Series C Bonds Refunded</u>	<u>Total Bonds Refunded</u>
2011 Refunding Bonds	\$ 40,195,000	\$ 41,095,000	\$ -	\$ 41,095,000
2012 Refunding Bonds	<u>62,920,000</u>	<u>9,950,000</u>	<u>54,255,000</u>	<u>64,205,000</u>
Total	<u>\$ 103,115,000</u>	<u>\$ 51,045,000</u>	<u>\$ 54,255,000</u>	<u>\$ 105,300,000</u>

The financial effects of these refunding issues were as follows:

- On October 20, 2011, the District issued 2011 general obligation refunding bonds in the amount of \$40,195,000 to partially advance refund the 2002 Series B general obligation bonds. The District completed the refunding to reduce debt service payments by \$1,778,596 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,345,084 in aggregate.
- On March 28, 2012, the District issued 2012 general obligation refunding bonds in the amount of \$62,920,000 to partially advance refund the 2002 Series B and 2002 Series C general obligation bonds. The District completed the refunding to reduce debt service payments by \$3,257,357 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,704,683 in aggregate.
- The refunded 2002 Series B bonds at June 30, 2012, totaled \$51,045,000, and will be called and retired on August 1, 2012. Refunded 2002 Series C bonds at June 30, 2012, totaled \$54,255,000, and will be called and retired on August 1, 2014.
- Funds from the sale of the refunding issues have been placed in escrow accounts at U.S. Bank, San Francisco, CA. for investment into State and Local Government Series (SLGS) securities until needed to service the refunded bond debt. On June 30, 2012, \$114,604,410 was held in escrow, which, together with the interest income earned on the SLGS, are expected to be sufficient to retire all refunded bonds including principal, a 2% call premium and accrued interest expense since the date of issuance of the corresponding refunding issue.

The refunded bonds are considered defeased in substance and, thus, neither the escrow funds nor the outstanding refunded bonds are included in the financial statements of the District as of June 30, 2012.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### BOND DEBT

The outstanding general obligation bond debt as of June 30, 2012, is as follows:

	<u>Original Issue</u>	<u>Refunding Issuance</u>	<u>Outstanding Balance</u>
<b>Measure A Bonds</b>			
2002 Series A general obligation bonds, due in annual installments of \$575,000 to \$1,860,000 beginning February 1, 2003, through August 1, 2027 at interest from 3.40% to 6.40%. Subsequently, in October 2010, all the outstanding Series A Bonds totaling \$22,000,000 were refunded in substance with the issuance of \$21,025,000 of 2010 Refunding Bonds. Called bonds were retired on February 1, 2011.	\$ 27,500,000	\$ -	\$ -
2002 Series B general obligation bonds, due in annual installments of \$650,000 to \$4,345,000 beginning February 1, 2005, through August 1, 2028 at interest from 2.00% to 5.00%. Subsequently, in October 2011 and March 2012, all but \$2,175,000 of the bonds outstanding were refunded in substance with the issuances of the 2011 and 2012 Refunding Bonds.	65,000,000	-	2,175,000
2002 Series C general obligation bonds, due in annual installments of \$1,680,000 to \$4,620,000 beginning February 1, 2007, through August 1, 2030 at interest from 4.25% to 5.25%. Subsequently, in March 2012, all but \$6,560,000 of the bonds outstanding were refunded in substance with the issuance of the 2012 Refunding Bonds.	70,000,000	-	6,560,000
2002 Series D general obligation bonds, due in annual installments of \$1,235,000 to \$3,765,000 beginning February 1, 2010 through August 1, 2034 at interest from 2.00% to 5.375%	55,000,000	-	52,495,000
2010 Refunding Bonds, due in annual installments of \$905,000 to \$1,730,000 beginning February 1, 2011, through August 1, 2027, at interest from 2.00% to 5.00%	-	21,025,000	19,965,000
2011 Refunding Bonds, due in annual installments of \$455,000 to \$4,035,000 beginning February 1, 2012, through August 1, 2027, at interest from 2.00% to 5.00%	-	40,195,000	40,195,000

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

	<u>Original Issue</u>	<u>Refunding Issuance</u>	<u>Outstanding Balance</u>
2012 Refunding Bonds, due in annual installments of \$75,000 to \$8,225,000 beginning February 1, 2012, through August 1, 2030, at interest from 2.00% to 5.25%	-	62,920,000	62,920,000
Total Measure A Bonds	217,500,000	124,140,000	184,310,000
<b>Measure M Bonds</b>			
2008 Series A general obligation bonds, due in annual installments of \$320,000 to \$13,590,000 beginning February 1, 2011 through August 1, 2035 at interest from 2.00% to 5.00%	130,000,000	-	124,400,000
Total Measure A & M Bonds	\$ 347,500,000	\$ 124,140,000	\$ 308,710,000

The outstanding general obligation bond debt matures as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,315,000	\$ 13,818,283	\$ 25,133,283
2014	7,125,000	13,974,850	21,099,850
2015	7,490,000	13,740,106	21,230,106
2016	7,935,000	13,446,531	21,381,531
2017	8,565,000	13,106,531	21,671,531
2018-2022	53,035,000	59,302,019	112,337,019
2023-2027	75,120,000	44,603,775	119,723,775
2028-2032	79,730,000	24,029,700	103,759,700
2033-2036	58,395,000	5,910,698	64,305,698
Total	\$ 308,710,000	\$ 201,932,493	\$ 510,642,493

### CERTIFICATES OF PARTICIPATION

In May 2006, the District issued certificates of participation (COPs) in the amount of \$7,055,000, with interest rates ranging from 3.75% to 4.75%.

The certificates mature through June 1, 2031, as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 215,000	\$ 266,039	\$ 481,039
2014	220,000	257,439	477,439
2015	230,000	249,189	479,189
2016	240,000	240,449	480,449
2017	250,000	231,089	481,089
2018-2022	1,425,000	991,023	2,416,023
2023-2027	1,785,000	649,888	2,434,888
2028-2031	1,740,000	207,795	1,947,795
Total	\$ 6,105,000	\$ 3,092,911	\$ 9,197,911

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### LEASE AND JOINT USE AGREEMENT

In November 2008, the District executed Construction Site and Facilities Lease agreements with McCuen Project Services, Inc. to construct a parking facility at Cosumnes River College. The Construction Site Lease will lease the real property the District owns to McCuen for \$1 per year. The Construction Facilities Lease is the document the District will utilize to lease back the real property and the completed facilities from McCuen. At completion and payment of the final lease payment, McCuen will execute a quitclaim deed passing all interests in the project to the District. In conjunction with this project, on November 4, 2011, the District executed a Lease and Joint Use Agreement with Sacramento Regional Transit District (RT) to lease the multi-level parking structure to RT. The District and RT have agreed to make joint use of the parking structure and adjacent surface parking. RT's lease payments are the cost of construction. The lease meets the conditions of a capital lease and the District is not expected to record the asset on its records when the quitclaim deed is executed. The term of the lease, expected to commence in September 2015, is for 51 years with the option to extend for two consecutive 5-year terms.

### 7. OPERATING LEASES

The District has entered into various operating leases for buildings with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation upon written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The amount of rental expenditures during the year ended June 30, 2012, was \$466,573. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payments</u>
2013	\$ 347,381
2014	180,406
2015	172,341
2016	175,859
2017	<u>183,310</u>
Total	<u>\$ 1,059,297</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these buildings.

### 8. LEASE REVENUE BONDS

The District and the State of California have entered into financing arrangements under which the State provides funds for the construction of certain facilities. The funds are proceeds of lease revenue bonds issued by the State of California, Public Works Board (the Board). The bonds are a special obligation of the Board payable from State General Fund revenues appropriated to the California Community Colleges Board of Governors who therein make adequate provision in the annual budget of the State for the servicing of such bonds. However, in the unlikely event that the State could not pay the semi-annual installment payment, the District would be responsible for the payments attributable to the District's facilities. No amounts had been accrued for any contingent payments at June 30, 2012.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

These are included in the District's capital assets on the Statement of Net Assets. The Board leases the facilities constructed with these bonds to the District. Upon full repayment of the associated bonds, title to the facilities conveys to the District. The following facilities were constructed under the provisions described above:

<u>Facility</u>	<u>Lease Term</u>	<u>Proceeds From State</u>	<u>Funding Year</u>	<u>Minimum Annual Payments</u>
El Dorado Center Cosumnes River College	1992-2018	\$ 7,381,915	1992-93	\$559,343 to \$571,494
Fine Arts Complex Sacramento City College	1993-2019	\$ 8,021,000	1993-94	\$792,955 to \$806,781
Learning Resource Center Folsom Lake College	1993-2017	\$ 14,592,000	1993-94	\$863,066 to \$1,428,786
Instructional Facilities 1B	2005-2030	\$ 36,841,000	2001-02	\$809,709 to \$2,499,000

### 9. EMPLOYEE RETIREMENT SYSTEMS

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

#### California State Teachers' Retirement System (CalSTRS)

##### Plan Description

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

##### Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute a statutorily set rate. The required employer contribution rate for fiscal year 2011-12 was 8.25% of eligible payroll. The contribution requirements of the plan members are also established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$8,393,726, \$9,492,298, \$9,871,700, respectively, and equal 100% of the required contributions for each year.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### California Public Employees' Retirement System (CalPERS)

#### Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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% of their 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.92% of eligible payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$7,388,226, \$7,476,065, \$6,818,513, respectively, and equal 100% of the required contributions for each year.

### Public Agency Retirement System

The District has also adopted the Public Agency Retirement System (PARS) Section 457 FICA Alternative Retirement Plan (The Plan). The Plan is covered under Internal Revenue Code, Section 457. Plan participants include all individuals who have worked for the District on or after July 1, 2008, provided that they are not covered by any other retirement program (e.g., CalPERS or CalSTRS) through District employment. Each participant makes tax deferred contributions to the Plan equal to 3.75% of total compensation. The District is required to make contributions to the Plan for each participant equal to 3.75% of total compensation. The District's contribution to the Plan for the fiscal year ended June 30, 2012, was \$219,327, and equals 100% of the required contributions for the year. Accounts are established in the name of each participant. Contributions are allocated directly to employee accounts. Participant account balances are fully vested and nonforfeitable. Participant account balances will be paid in a single distribution or direct rollover to another eligible retirement plan designated by the participant upon retirement or other termination. PARS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PARS annual financial report may be obtained from PARS, 5141 California Avenue, Suite 150, Irvine, California 92617-3069.

## **10. DEFERRED COMPENSATION**

The District has a qualified employee annuity plan under Section 403(b) of the Internal Revenue Code. An annuity contract is purchased, in lieu of compensation at the direction of the employee, by the District for the employee for up to 100% of the employee's compensation but within IRS contribution limits. All costs of funding the plan are the responsibility of the plan participant. Aside from the Special Pay Plan noted below, the District makes no additional contribution above the amount that would have been paid to the employee as normal compensation.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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Effective December 1, 2011, the District provides a Special Pay Plan under Section 403(b) of the Internal Revenue Code. All employees automatically become a participant in the plan when the employee is age 55 or older in the year of separation from service from the District and the employee has accrued vacation days. An annuity contract is purchased by the District for the employee, in the amount of up to 100% of the employee's vacation payout, but within IRS contribution limits under sections 415 and 402(g). If payment exceeds the maximum annual contribution limit, the balance due will be paid in cash to employees of Service Employees Union International (SEUI) and Los Rios Supervisors Association (LRSA). Excess contributions for employees of Los Rios Classified Employees Association (LRCEA) and Los Rios Management Association (LRMA) will be paid to the Special Pay Plan in January of the next calendar year. Funds are invested in a guaranteed interest annuity whose interest rate will not fall below the standard NAIC rate.

The District also offers its employees deferred compensation plans in accordance with Internal Revenue Code, Section 457 (457 plans). The plans, available to eligible District employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying event. The assets of the 457 plans were held in trust as described in the Internal Revenue Code, Section 457, for the exclusive benefit of the employees and their beneficiaries. The plan administrators are agents of the employer for purposes of providing directions for the investment of funds held in the employer's account. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plan balances and activities are not reflected in the District's financial statements.

### 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

#### Plan Description

The Los Rios Community College Retiree Health Benefits Plan (RHBP) established an irrevocable trust (the Trust) that provides for a contribution towards all or a portion of health insurance premiums for eligible members who have retired from service with the District. The RHBP is a single-employer defined benefit health care plan administered by the District. The Trust is administered by the Los Rios Community College District Retiree Health Benefit Oversight Committee appointed by the District.

The RHBP has 797 retirees receiving benefits and 2,150 active participants, of which 1,441 are not yet vested.

#### Funding Policy

The District's agreement with employees provides monthly contributions toward health insurance premiums of members who meet the eligibility criteria of their collective bargaining agreement or meet Board policy and regulation requirements. The contribution requirements of the RHBP have been established and are reviewed annually by the District. The District has the right to modify, alter, or amend the plan in whole or in part.

The RHBP paid up to \$216 per month for the payment or reimbursement of all or a portion of health insurance premiums of eligible retirees.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over the period not to exceed thirty years. During the year ended June 30, 2012, the District contributed \$1,209,247 to the Trust. The value of the accumulated assets in the Trust for the year ended June 30, 2012, was \$83,194,430.

Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level % of projected payroll over 1 year
Interest rate assumption	5.00%
Annual increase in benefit cap	4.50%
Normal cost	\$ 3,627,742
Amortization of UAAL due to asset and experience	<u>(5,249,047)</u>
Annual required contribution (ARC)	(1,621,305)
Contributions to the Trust	<u>(1,209,247)</u>
Decrease in OPEB obligation	(2,830,552)
Net OPEB obligation at July 1, 2011	<u>74,109</u>
Net OPEB asset at June 30, 2012	<u>\$ (2,756,443)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2012, and the preceding years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
June 30, 2010	\$ 4,773,414	\$ 3,291,235	68.95%	\$ 1,482,179
June 30, 2011	\$ 3,448,323	\$ 4,856,393	140.83%	\$ 74,109
June 30, 2012	\$ (1,621,305)	\$ 1,209,247	N/A	\$ (2,756,443)

### Funded Status and Funding Progress

The District's funding progress for other postemployment benefits as of the most recent valuation, July 1, 2011, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b - a] / c)</u>
7/1/11	\$ 79,693,241	\$ 74,444,194	\$ (5,249,047)	107%	\$ 153,851,995	-3.4%

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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The schedule of funding progress included in the required supplementary information presents multi-year trend information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

### Condensed Trust Financial Statements

The financial statements at June 30, 2012, for the Trust are presented below. The Trust does not issue a separate report.

### Trust Statement of Net Assets (Unaudited)

	<u>June 30, 2012</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 520,193
Interest receivable	1,766
Long-term investments	<u>82,672,471</u>
<b>Total assets</b>	83,194,430
Accounts payable	<u>60,831</u>
<b>Net assets</b>	<u><u>\$ 83,133,599</u></u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Trust Statement of Changes in Net Assets (Unaudited)

	<u>June 30, 2012</u>
<b>Additions:</b>	
Contributions	\$ 1,209,247
Investment income:	
Net realized and unrealized gains on investments	1,728,031
Dividends and interest	2,692,845
Total investment income	4,420,876
<b>Total additions to net assets</b>	<u>5,630,123</u>
<b>Deductions:</b>	
Benefit expenses	1,953,275
Administrative expenses	236,490
<b>Total deductions from net assets</b>	<u>2,189,765</u>
<b>Increase in net assets</b>	3,440,358
<b>Net Assets – beginning of year</b>	<u>79,693,241</u>
<b>Net Assets – end of year</b>	<u>\$ 83,133,599</u>

### NOTES TO THE CONDENSED TRUST FINANCIAL STATEMENTS

#### Trust Provisions

The Trust is described in detail above and includes the plan provisions and the authority for plan changes.

#### Summary of Significant Accounting Policies

**Basis of Accounting** – The financial statements shown above are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which the contributions are due and the District has made a formal commitment to provide the contributions. Benefits expenses are recognized when due and payable.

**Investments** – Investments are reported at fair value. The Trust retains a separate investment manager for its investment portfolios.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 12. COMMITMENTS AND CONTINGENCIES

#### 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 disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

#### Litigation

The District is a defendant in various lawsuits. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

#### Construction Commitments

The District entered into several construction commitments for a total of \$102,524,034. Bond and State funds have been approved for such construction.

### 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a risk management program for dental, liability, property, and workers' compensation. Premiums are paid into the internal service fund by other funds and are available to pay claims, claim reserves, and administrative costs of the programs.

The District is self-insured for liability and property damage on the first \$250,000 and \$100,000 of each claim, respectively. The District is self-insured for workers' compensation claims on the first \$500,000 of each claim. Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker. Coverage in excess of self-insurance limits for property damage and liability up to \$500,000,000 and \$50,000,000, respectively, are provided by pooled insurance as members of two joint powers authorities. See Joint Powers Authorities note for nature of participation.

The District has accrued an undiscounted claims liability of \$6,708,250 for liability, property, and workers' compensation claims. The liabilities for dental totaling \$472,539 are included as other accrued liabilities and are not discounted. The risk management reserve balance of \$1,736,275 is included in unrestricted net assets in the financial statements. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustments) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Many of these claims liabilities are long-term in nature and the District's intent is to fund these liabilities as incurred. Estimates of the District's liability for unsettled claims and unreported incidents are reviewed and updated as appropriate.

Changes in claims liability for the years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Noncurrent claims liability	\$ 6,708,250	\$ 6,806,970
Risk management reserve	<u>1,736,275</u>	<u>1,736,275</u>
Unpaid claims and claim adjustments	<u>\$ 8,444,525</u>	<u>\$ 8,543,245</u>
Unpaid claims and claim adjustments - beginning of year	<u>\$ 8,543,245</u>	<u>\$ 8,950,016</u>
Incurred claims and claims adjustments:		
Provision for insured events of the current year	2,356,561	(889,788)
Increases (decreases) in provision for insured events of prior years	<u>(1,125,166)</u>	<u>2,019,424</u>
Total incurred claims and claim adjustments	<u>1,231,395</u>	<u>1,129,636</u>
Less payments:		
Claims and claim adjustments attributable to insured events of the current years	406,481	180,922
Claims and claim adjustments attributable to insured events of prior years	<u>923,634</u>	<u>1,355,485</u>
Total payments	<u>1,330,115</u>	<u>1,536,407</u>
Total unpaid claims and claim adjustments – end of year	<u>\$ 8,444,525</u>	<u>\$ 8,543,245</u>

#### 14. JOINT POWERS AGREEMENTS

##### SELF AND ASCIP

The District is a participant in the Schools Excess Liability Fund (SELF). SELF is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to SELF by all participants, the District may be required to provide additional funding.

The District is a participant in the Alliance of Schools for Cooperative Insurance Program (ASCIP). ASCIP is a JPA established for the purpose of providing the services, facilities, and items necessary and appropriate for the establishment, operation, and maintenance of a self insurance system for property, liability, and workers' compensation claims and losses against public educational agencies who are members thereof. The District only participates in the JPA property and liability programs. Should property claims exceed amounts funded to ASCIP by all participants, the District may be required to

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

provide additional funding. Should liability claims exceed established ASCIP limits, the District has excess coverage with SELF. ASCIP also provides for additional insurance and risk management programs and services as well as a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding self insurance for losses and other insurance and risk management programs and services.

### NATURE OF PARTICIPATION

#### Property

District Deductible: \$100,000  
JPA's Coverage: \$100,001 to \$500,000,000 with ASCIP

#### Liability

District Deductible: \$250,000  
JPA's Coverage: \$250,001 to \$5,000,000 with ASCIP  
Excess Insurance: \$5,000,001 to \$50,000,000 with SELF

The SELF and ASCIP are independently accountable for their fiscal matters and are not components of the District for financial reporting purposes. The most current condensed financial information available is as follows:

	<u>June 30, 2011</u>	
	<u>SELF</u>	<u>ASCIP</u>
Total Assets	\$ 174,774,000	\$ 256,717,310
Total Liabilities	<u>141,524,000</u>	<u>144,684,365</u>
Net Assets	<u>\$ 33,250,000</u>	<u>\$ 112,032,945</u>
Total Revenues	\$ 9,165,000	\$ 184,317,132
Total Expenses	<u>12,425,000</u>	<u>178,238,995</u>
Net Increase (Decrease) in Net Assets	<u>\$ (3,260,000)</u>	<u>\$ 6,078,137</u>

### NCRPSTA

The District is a participant in the Northern California Regional Public Safety Training Authority (NCRPSTA). NCRPSTA is a JPA formed to implement the most efficient and effective public safety training programs for member agencies. NCRPSTA is governed by a Board of Directors comprised of a representative from each of the member agencies.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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The NCRPSTA is independently accountable for their fiscal matters and are not components of the District for financial reporting purposes. The most current condensed financial information available is as follows:

	<u>June 30, 2009</u>
Total Assets	\$ 10,531,710
Total Liabilities	<u>2,646,866</u>
Net Assets	<u>\$ 7,884,844</u>
Total Revenues	\$ 6,666,382
Total Expenses	<u>5,166,567</u>
Net Increase in Net Assets	<u>\$ 1,499,815</u>

### 15. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

Eligible District employees were the recipient of on-behalf payments made by the State of California to CalSTRS. This payment consisted of state general fund contributions to CalSTRS. The contribution consisted of 4.855% of fiscal year 2009-10 salaries subject to CalSTRS.

### 16. REDEVELOPMENT AGENCY FUNDS

During 2011-12, \$398,173 of property tax receipts from redevelopment entitlements were transferred to the Debt Service Fund to pay future debt service requirements (principal and interest payments) on outstanding 2006 Certificates of Participation (COPs) issued to finance the construction of the parking garage at Sacramento City College.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2012

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
7/1/07	\$ -	\$ 58,561,688	\$ 58,561,688	0%	\$142,560,759	41.1%
7/1/09	\$ 60,074,734	\$ 64,694,636	\$ 4,619,902	93%	\$157,406,228	2.9%
7/1/11	\$ 79,693,241	\$ 74,444,194	\$ (5,249,047)	107%	\$153,851,995	-3.4%

## **SUPPLEMENTARY INFORMATION SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
<b>DIRECT FEDERAL AWARDS</b>			
<b>U.S. Department Of Education:</b>			
Student Financial Assistance Programs Cluster:			
Pell Grant	N/A	84.063	\$ 82,885,129
Supplemental Education Opportunity Grants	N/A	84.007	1,522,468
College Work Study	N/A	84.033	1,239,671
Academic Competitiveness Grants	N/A	84.375	67
Federal Direct Loans	N/A	84.268	<u>38,801,198</u>
Subtotal Student Financial Assistance Programs Cluster			124,448,533
GreenForce Center	N/A	84.116Z	50,714
TRIO Student Support Services	N/A	84.042A	<u>238,668</u>
Total U.S. Department of Education			<u>124,737,915</u>
<b>U.S. Department of Labor:</b>			
GreenForce	N/A	17.269	579,903
ARRA High Growth & Emerging Industries Cluster	N/A	17.275	<u>1,618,335</u>
Total U.S. Department of Labor			<u>2,198,238</u>
<b>U.S. Department Of Health And Human Services:</b>			
ARRA Health Information Technology	N/A	93.721	<u>4,680,938</u>
<b>Other Direct Programs:</b>			
U.S. National Science Foundation:			
Education and Human Resources	N/A	47.076	133,694
CPATH II Community Building Grant	N/A	47.070	120,318
U.S. Department of Veteran Affairs:			
Vocational and Educational Counseling for Service Members and Veterans	N/A	64.125	24,088
U.S. Corporation for National and Community Service:			
ARRA AmeriCorps (National Service Trust Grant)	N/A	94.006	<u>396,937</u>
Total Other Direct Programs			<u>675,037</u>
<b>FEDERAL AWARD PASSED THROUGH OTHER AGENCIES</b>			
<b>U.S. Department Of Education:</b>			
Passed Through California Department of Education (CDE):			
Vocational and Applied Technology Education Act - Title IC - Basic Grants	10-C01-028	84.048	3,562,747
Vocational and Applied Technology Education Act - Title IC - Basic Grants	09-C01-028	84.243	<u>187,880</u>
Subtotal Vocational and Applied Technology Education Act passed through CDE			<u>3,750,627</u>
Passed Through Butte Community College (BCC):			
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	2,635
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	7,699
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	1,504
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	<u>4,465</u>
Subtotal Vocational and Applied Technology Education Act passed through BCC			<u>16,303</u>
Total Vocational and Applied Technology Education Act			<u>3,766,930</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
Passed Through Department of Rehabilitation:			
Workability III	27754	84.126	209,438
College to Career	N/A	84.126	138,289
Subtotal Vocational Rehabilitation Cluster			<u>347,727</u>
Total U.S. Department of Education			<u>4,114,657</u>
<b>U.S. Small Business Administration:</b>			
Passed Through CSU Chico Research Foundation:			
Small Business Development 2010	Sub 10-006	59.037	243,842
Small Business Development 2011	N/A	59.037	149,604
Small Business Development Jobs Bill	N/A	59.037	100,000
Subtotal CSU Chico Research Foundation			<u>493,446</u>
Passed Through California Community Colleges Chancellor's Office			
State Trade Export Promotion	N/A	59.061	109,600
Total U.S. Small Business Administration			<u>603,046</u>
<b>U.S. Department Of Health And Human Services:</b>			
Passed Through San Francisco Community College:			
California Early Childhood Mentor Program	8079	93.575	13,712
Passed Through Yosemite Community College:			
Child Care Access	09-10-7694	93.575	21,250
Child Care Access	09-10-4821	93.575	10,663
Child Care Access	09-10-NEW	93.575	12,250
Child Care Access	09-10-4114	93.575	15,688
Child Care Access	09-10-D7694	93.575	70,906
Child Care Access	09-10-D4821	93.575	8,100
Child Care Access	09-10-NEW	93.575	2,750
Child Care Access	09-10-D4114	93.575	5,850
Subtotal Child Care Access			<u>147,457</u>
Independent Living Program	N/A	93.674	22,675
Passed Through California Community College Chancellor's Office:			
ARRA Vocational and Applied Technology Education Act -			
Title IVE - Foster Care Program	N/A	93.658	175,134
Temporary Assistance for Needy Families	N/A	93.558	490,017
Passed Through County of Sacramento Human Assistance:			
Temporary Assistance for Needy Families - Work Study	N/A	93.558	449,673
Total U.S. Department of Health and Human Services			<u>1,298,668</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
<b>U.S. Department Of Labor:</b>			
Passed Through California Department of Education:			
Workforce Investment Act - Nursing Program	08-115-10	17.258	42,912
Workforce Investment Act - Nursing Program	09-110-06	17.258	<u>190,173</u>
Subtotal WIA Nursing Program			233,085
Passed Through Sacramento Employment Training Agency:			
ARRA WIA Adult Program - Clean Energy Workforce Training Program - Vehicle Alternative Fuels	098102RT	17.258	63,886
ARRA WIA Adult Program - Clean Energy Workforce Training Program	098102AVF	17.258	(5,628)
ARRA WIA Adult Program - Clean Energy Workforce Training Program	098102AVF	17.258	<u>10,750</u>
Subtotal WIA Adult Program			69,008
Total Workforce Investment Act Cluster			302,093
Passed Through Sacramento Employment Training Agency:			
ARRA WIA State Energy Sector Program	N/A	17.275	73,102
ARRA WIA Adult Program - Clean Energy Workforce Training Program	098102PAT(1)	17.260	<u>94,727</u>
Total U.S. Department of Labor			<u>469,922</u>
<b>U.S. Department Of Energy:</b>			
Passed Through Sacramento Employment Training Agency:			
ARRA State Energy Program - Clean Energy Workforce Training Program	098102RT	81.041	(8,442)
ARRA State Energy Program - Clean Energy Workforce Training Program	098102AVF	81.041	146
ARRA State Energy Program - Clean Energy Workforce Training Program	098102AVF	81.041	<u>20,507</u>
Subtotal ARRA State Energy Program			12,211
Passed Through Sacramento Municipal Utility District:			
ARRA State Energy Program	4500067538	81.041	276,075
ARRA Smart Grid Investment Grant	N/A	81.122	<u>2,758,618</u>
Total U.S. Department of Energy			<u>3,046,904</u>
<b>U.S. Department Of Agriculture:</b>			
Passed Through California Department of Education:			
Child Care Food Program	1502-3A	10.558	94,860
Passed Through California Department of Agriculture:			
Federal State Marketing Improvement Program	FSMIP001	10.156	<u>16,346</u>
Total U.S. Department of Agriculture			<u>111,206</u>
<b>U.S. Department of Commerce:</b>			
Passed Through Foundation for California Community Colleges:			
ARRA Broadband Technology Opportunities Program	06-43-B10541	11.557	<u>317,443</u>
<b>U.S. Department of Transportation-Federal Highway Administration:</b>			
Passed Through Sacramento Employment Training Agency:			
CalTRANS Diesel Grant	N/A	20.215	83,542
Passed Through California Department of Transportation:			
ARRA Highway Planning and Construction	88A0055	20.205	<u>(3,164)</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 142,334,352</u></u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2012

	Program Entitlements			Program Revenues			Program Expenditures	
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue		Total
<b>STATE PROGRAMS</b>								
<b>CATEGORICAL APPORTIONMENTS</b>								
Extended Opportunity Program & Services	\$ 2,764,990	\$ 3,604	\$ 2,768,594	\$ 2,768,594	\$ -	\$ -	\$ 2,768,594	\$ 2,768,594
Cooperative Agency Resource Education	437,296	-	437,296	436,719	-	-	436,719	436,719
Disabled Students Program & Services	2,886,125	-	2,886,125	2,843,261	-	-	2,843,261	2,843,261
Board Financial Assistance	2,700,581	330,860	3,031,441	3,024,951	-	5,495	3,019,456	3,019,456
Economic Development	1,378,524	427,038	1,805,562	856,398	432,281	12,246	1,276,433	1,276,433
Career Technical Education	3,159,450	1,327,236	4,486,686	3,151,608	494,512	1,820,411	1,825,709	1,825,709
Equal Employment Opportunity	18,473	15,140	33,613	33,614	-	19,086	14,528	14,528
Telecommunications and Technology	-	9,648	9,648	9,648	-	-	9,648	9,648
Matriculation	2,216,768	3,010	2,219,778	2,219,777	-	-	2,219,777	2,219,777
CalWORKs	1,602,533	3,437	1,605,970	1,605,971	-	-	1,605,971	1,605,971
<b>Subtotal</b>	<b>17,164,740</b>	<b>2,119,973</b>	<b>19,284,713</b>	<b>16,950,541</b>	<b>926,793</b>	<b>1,857,238</b>	<b>16,020,096</b>	<b>16,020,096</b>
<b>CATEGORICAL PROGRAM ALLOWANCES</b>								
Cal Grant	4,503,000	-	4,503,000	4,662,364	-	113,192	4,549,172	4,549,172
CDF Tax Bailout	180,826	-	180,826	180,826	-	-	180,826	180,826
CDC Food Program	7,080	-	7,080	773	4,283	-	5,056	5,056
CDC California Child Care	1,094,343	-	1,094,343	933,484	109,939	-	1,043,423	1,043,423
CDC Repair & Renovation Grant	14,461	-	14,461	-	11,651	-	11,651	11,651
Capital Outlay Projects	17,376,572	-	17,376,572	9,719,927	3,491,430	-	13,211,357	13,211,357
Foster Care Program	174,337	797	175,134	86,710	88,424	-	175,134	175,134
First Five Sacramento Commission - Lactation	-	6,644	6,644	-	3,323	-	3,323	3,323
Other	982,743	1,025,593	2,008,336	880,609	98,105	30,113	948,601	948,601
<b>Subtotal</b>	<b>24,333,362</b>	<b>1,033,034</b>	<b>25,366,396</b>	<b>16,464,693</b>	<b>3,807,155</b>	<b>143,305</b>	<b>20,128,543</b>	<b>20,128,543</b>
<b>Total State Programs</b>	<b>\$41,498,102</b>	<b>\$ 3,153,007</b>	<b>\$44,651,109</b>	<b>\$33,415,234</b>	<b>\$ 4,733,948</b>	<b>\$ 2,000,543</b>	<b>\$36,148,639</b>	<b>\$ 36,148,639</b>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2012

### STATE GENERAL APPORTIONMENT

The full-time equivalent resident students eligible for 2011-12 State apportionment reported to the State of California as of June 30, 2012, are summarized below:

<u>Categories</u>	<u>Full-Time Equivalent Students</u>	<u>Adjustments</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2011 only)</b>			
1. Noncredit <sup>1</sup>	0.00	0.00	0.00
2. Credit	3,809.22	(14.43)	3,794.79
<b>B. Summer Intersession (Summer 2012 – Prior to July 1, 2012)</b>			
1. Noncredit	0.00	0.00	0.00
2. Credit	152.87	(98.80)	54.07
<b>C. Primary Terms (Exclusive of Summer Intersession):</b>			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	38,337.04	(206.14)	38,130.90
(b) Daily Census Contact Hours	2,270.02	0.00	2,270.02
2. Actual Hours of Attendance Courses:			
(a) Noncredit	27.00	0.00	27.00
(b) Credit	2,540.63	215.89	2,756.52
3. Alternative Attendance Accounting Procedure:			
(a) Weekly Census Procedure Hours	4,097.30	(56.96)	4,040.34
(b) Daily Census Procedure Hours	1,392.13	0.00	1,392.13
(c) Noncredit Independent Study/Distance Education Courses	0.00	0.00	0.00
<b>D. Total Full-Time Equivalent Students</b>	<b>52,626.21</b>	<b>(160.44)</b>	<b>52,465.77</b>
<u>Supplemental Information</u>			
<b>E. In-Service Training Courses Full-Time Equivalent Students</b>	1,397.13	140.00	1,537.13
<b>Basic Skills Courses and Immigrant Education</b>			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,808.31	(26.65)	3,781.66
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	0.00	0.00	0.00
<b>Centers FTES</b>			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,738.58	(143.12)	3,595.46

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
Instructional Salaries							
Contract or Regular	1100	\$ 64,006,214	\$ -	\$ 64,006,214	\$ 64,006,214	\$ -	\$ 64,006,214
Other	1300	<u>30,679,027</u>	<u>-</u>	<u>30,679,027</u>	<u>30,679,027</u>	<u>-</u>	<u>30,679,027</u>
Total Instructional Salaries		<u>94,685,241</u>	<u>-</u>	<u>94,685,241</u>	<u>94,685,241</u>	<u>-</u>	<u>94,685,241</u>
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	25,606,560	-	25,606,560
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,886,265</u>	<u>-</u>	<u>1,886,265</u>
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,492,825</u>	<u>-</u>	<u>27,492,825</u>
<b>Total Academic Salaries</b>		<u>94,685,241</u>	<u>-</u>	<u>94,685,241</u>	<u>122,178,066</u>	<u>-</u>	<u>122,178,066</u>
<b>CLASSIFIED SALARIES</b>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	43,595,981	-	43,595,981
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,521,423</u>	<u>-</u>	<u>3,521,423</u>
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>47,117,404</u>	<u>-</u>	<u>47,117,404</u>
Instructional Aides							
Regular Status	2200	4,821,609	-	4,821,609	4,821,609	-	4,821,609
Other	2400	<u>440,518</u>	<u>-</u>	<u>440,518</u>	<u>440,518</u>	<u>-</u>	<u>440,518</u>
Total Instructional Aides		<u>5,262,127</u>	<u>-</u>	<u>5,262,127</u>	<u>5,262,127</u>	<u>-</u>	<u>5,262,127</u>
<b>Total Classified Salaries</b>		<u>5,262,127</u>	<u>-</u>	<u>5,262,127</u>	<u>52,379,531</u>	<u>-</u>	<u>52,379,531</u>
Employee Benefits	3000	25,121,720	-	25,121,720	50,648,633	-	50,648,633
Supplies and Materials	4000	-	-	-	4,518,623	-	4,518,623
Other Operating Expenses	5000	2,658,523	-	2,658,523	20,929,264	-	20,929,264
Equipment Replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES PRIOR TO EXCLUSIONS</b>		<u>127,727,611</u>	<u>-</u>	<u>127,727,611</u>	<u>250,654,117</u>	<u>-</u>	<u>250,654,117</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
<b>Activities to Exclude:</b>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude:</b>							
Rents and Leases	5060	-	-	-	1,038,845	-	1,038,845
Lottery Expenditures							
Academic Salaries	1000	1,919,706	-	1,919,706	2,477,112	-	2,477,112
Classified Salaries	2000	97,756	-	97,756	985,546	-	985,546
Employee Benefits	3000	356,023	-	356,023	611,057	-	611,057
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional Supplies & materials	4400	-	-	-	-	-	-
Total Supplies and Materials							
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment Replacement	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
		-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		\$ 2,373,485	\$ -	\$ 2,373,485	\$ 5,112,560	\$ -	\$ 5,112,560
Total for ECS 84362, 50% Law		125,354,126		125,354,126	245,541,557		245,541,557
Percent of CEE (Instructional Salary Cost / Total CEE)		51%		51%	100%		100%
50% of Current Expense of Education					122,770,778		122,770,778

**LOS RIOS COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

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**AUDITOR'S COMMENTS**

All net asset balances agree to the audit.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2012

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### 1. PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The audit of the 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 OMB Circular A-133, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

#### Schedule of State Financial Assistance

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

#### Schedule of State General Apportionment Attendance

Full-time equivalent students (FTES) is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts.

#### Reconciliation of ECS 84362 (50 Percent Law) Calculation

This Reconciliation of ECS 84362 (50 Percent Law) Calculation shows the annual reported date from the CCFS-311 and any audit adjustments.

#### Reconciliation of Annual Financial and Budget Report (Form CCFS 311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the net asset balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

## **ADDITIONAL INFORMATION SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS - 2012 ACTUAL TO 2013 BUDGET - GENERAL FUND YEAR ENDED JUNE 30, 2012

	<u>2011-12 Actual</u>	<u>2012-13 Adopted Budget</u>	<u>Change Increase (decrease)</u>
<b>REVENUE</b>			
Federal	\$ 15,875,075	\$ 13,792,542	\$ (2,082,533)
State	196,697,872	201,685,465	4,987,593
Local	79,006,629	84,851,529	5,844,900
Other	-	13,603	13,603
Total revenue	<u>291,579,576</u>	<u>300,343,139</u>	<u>8,763,563</u>
<b>EXPENDITURES</b>			
Certificated salaries	127,212,444	130,072,539	2,860,095
Classified salaries	68,043,292	69,457,037	1,413,745
Employee benefits	55,876,288	62,900,157	7,023,869
Books, supplies, and materials	6,824,589	9,003,766	2,179,177
Contract services and operating expenditures	31,607,517	41,194,841	9,587,324
Auxiliary activities/payments to students	6,136	25,000	18,864
Capital outlay	4,304,752	5,796,939	1,492,187
Total expenditures	<u>293,875,018</u>	<u>318,450,279</u>	<u>24,575,261</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,295,442)	(18,107,140)	(15,811,698)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer in	7,614,362	7,246,657	(367,705)
Operating transfer out	(9,640,966)	(7,238,533)	2,402,433
Total other financing sources (uses)	<u>(2,026,604)</u>	<u>8,124</u>	<u>2,034,728</u>
<b>EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(4,322,046)	(18,099,016)	(13,776,970)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>41,251,596</u>	<u>36,929,550</u>	<u>(4,322,046)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 36,929,550</u>	<u>\$ 18,830,534</u>	<u>\$ (18,099,016)</u>

**LOS RIOS COMMUNITY COLEGE DISTRICT**  
**COMBINING STATEMENTS OF NET ASSETS BY FUND**  
**JUNE 30, 2012**

	Governmental Fund Types					Proprietary Fund Types			Total	Adjustments	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency			
<b>ASSETS</b>											
Current Assets:											
Cash and cash equivalents	\$ 4,329,188	\$ 58,490	\$ 3,018,793	\$ 140,266,253	\$ 132,856,980	\$ 2,374,603	\$ 8,452,514	\$ 359,879	\$ 291,716,700	\$ (203,116,548)	\$ 88,600,152
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	105,619,926	105,619,926
Short-term investments	-	-	269,420	-	-	-	-	267,824	537,244	654	537,898
Accounts receivable, net	71,215,602	125,873	128,912	13,319,642	-	856,740	-	476	85,647,245	77,075	85,724,320
Interest receivable	6,472	257	881	730,262	196,309	2,031	10,248	245	946,705	(208,835)	737,870
Inventory	-	-	-	-	-	2,075,219	-	-	2,075,219	-	2,075,219
Prepaid expenditures	3,394,986	-	-	-	-	77,732	192,361	-	3,665,079	-	3,665,079
Net OPEB asset	-	-	-	-	-	-	-	-	-	2,756,443	2,756,443
Due from other funds	11,533,565	246,452	502	25,012,994	941,450	-	835,055	-	38,570,018	(38,570,018)	-
<b>Total Current Assets</b>	<b>90,479,813</b>	<b>431,072</b>	<b>3,418,508</b>	<b>179,329,151</b>	<b>133,994,739</b>	<b>5,386,325</b>	<b>9,490,178</b>	<b>628,424</b>	<b>423,158,210</b>	<b>(133,441,303)</b>	<b>289,716,907</b>
Noncurrent Assets:											
Long-term investments	-	-	11,045	40,558	655,984	8,212,113	-	-	8,919,700	(686,514)	8,233,186
Restricted investments	-	-	-	23,291,724	16,592,459	-	-	-	39,884,183	(15,975,226)	23,908,957
Deferred charges	-	-	-	-	-	-	-	-	-	2,407,166	2,407,166
Capital assets, net	-	-	-	-	-	871,182	-	-	871,182	526,091,056	526,962,238
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>11,045</b>	<b>23,332,282</b>	<b>17,248,443</b>	<b>9,083,295</b>	<b>-</b>	<b>-</b>	<b>49,675,065</b>	<b>511,836,482</b>	<b>561,511,547</b>
<b>TOTAL ASSETS</b>	<b>\$ 90,479,813</b>	<b>\$ 431,072</b>	<b>\$ 3,429,553</b>	<b>\$ 202,661,433</b>	<b>\$ 151,243,182</b>	<b>\$ 14,469,620</b>	<b>\$ 9,490,178</b>	<b>\$ 628,424</b>	<b>\$ 472,833,275</b>	<b>\$ 378,395,179</b>	<b>\$ 851,228,454</b>
<b>LIABILITIES</b>											
Current Liabilities:											
Accounts payable	\$ 4,791,703	\$ 10,765	\$ 41,291	\$ 15,462,666	\$ 107,408,491	\$ (192,693)	\$ 297,344	\$ 7,458	\$ 127,827,025	\$ (107,406,000)	\$ 20,421,025
Accrued salaries and related benefits	7,775,681	20,336	-	-	-	54,159	-	-	7,850,176	-	7,850,176
Interest payable	-	-	91	-	7,727,255	-	-	-	7,727,346	(2,055,284)	5,672,062
Unearned revenue	13,515,867	-	131,567	-	-	539,047	-	-	14,186,481	(1,992)	14,184,489
Compensated absences	315,891	120,048	-	-	16,050,424	159,451	16,002	-	16,661,816	(11,549,708)	5,112,108
Other accrued liabilities	287,454	-	-	-	1,100	28,675	472,539	-	789,768	287,199	1,076,967
Amounts held on behalf of others	610,377	-	-	-	-	105,884	-	620,966	1,337,227	-	1,337,227
Long-term debt	-	-	-	-	-	-	-	-	-	13,480,878	13,480,878
Due to other funds	26,253,290	104,923	2,118,142	8,756,795	59,664	1,227,560	259,768	-	38,780,142	(38,780,142)	-
<b>Total Current Liabilities</b>	<b>53,550,263</b>	<b>256,072</b>	<b>2,291,091</b>	<b>24,219,461</b>	<b>131,246,934</b>	<b>1,922,083</b>	<b>1,045,653</b>	<b>628,424</b>	<b>215,159,981</b>	<b>(146,025,049)</b>	<b>69,134,932</b>
Noncurrent Liabilities:											
Compensated absences	-	-	-	-	-	-	-	-	-	11,549,708	11,549,708
Claims liability	-	-	-	-	-	-	6,708,250	-	6,708,250	-	6,708,250
Long-term debt	-	-	-	-	-	-	-	-	-	318,688,022	318,688,022
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,708,250</b>	<b>-</b>	<b>6,708,250</b>	<b>330,237,730</b>	<b>336,945,980</b>
<b>TOTAL LIABILITIES</b>	<b>53,550,263</b>	<b>256,072</b>	<b>2,291,091</b>	<b>24,219,461</b>	<b>131,246,934</b>	<b>1,922,083</b>	<b>7,753,903</b>	<b>628,424</b>	<b>221,868,231</b>	<b>184,212,681</b>	<b>406,080,912</b>
<b>TOTAL NET ASSETS</b>	<b>36,929,550</b>	<b>175,000</b>	<b>1,138,462</b>	<b>178,441,972</b>	<b>19,996,248</b>	<b>12,547,537</b>	<b>1,736,275</b>	<b>-</b>	<b>250,965,044</b>	<b>194,182,498</b>	<b>445,147,542</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 90,479,813</b>	<b>\$ 431,072</b>	<b>\$ 3,429,553</b>	<b>\$ 202,661,433</b>	<b>\$ 151,243,182</b>	<b>\$ 14,469,620</b>	<b>\$ 9,490,178</b>	<b>\$ 628,424</b>	<b>\$ 472,833,275</b>	<b>\$ 378,395,179</b>	<b>\$ 851,228,454</b>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN NET ASSETS BY FUND YEAR ENDED JUNE 30, 2012

	Government Fund Types					Proprietary Fund Types			Reconciling Adjustments/ Eliminations	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Total		
<b>REVENUES:</b>										
Federal	\$ 15,875,075	\$ 94,860	\$ 123,605,799	\$ 2,631,328	\$ -	\$ -	\$ -	\$ 142,207,062	\$ -	\$ 142,207,062
State	196,697,872	1,240,956	4,549,172	13,211,357	-	-	-	215,699,357	-	215,699,357
Local	78,817,305	78,540	117,299	15,348,033	37,570,975	879,334	-	132,811,486	(26,627,060)	106,184,426
Operation	101,652	-	-	-	-	18,138,885	6,777,110	25,017,647	(6,776,984)	18,240,663
Interest and other	87,672	1,481	3,341	824,013	103,310,227	31,424	39,587	104,297,745	(103,481,291)	816,454
Total revenues	<u>291,579,576</u>	<u>1,415,837</u>	<u>128,275,611</u>	<u>32,014,731</u>	<u>140,881,202</u>	<u>19,049,643</u>	<u>6,816,697</u>	<u>620,033,297</u>	<u>(136,885,335)</u>	<u>483,147,962</u>
<b>EXPENDITURES/EXPENSES:</b>										
Certificated salaries	127,212,444	-	-	-	-	-	-	127,212,444	-	127,212,444
Classified salaries	68,043,292	1,424,141	-	-	-	3,129,425	145,737	72,742,595	-	72,742,595
Employee benefits	55,876,288	755,598	-	-	-	929,995	57,153	57,619,034	(4,680,588)	52,938,446
Books, supplies and materials	6,824,589	102,086	18,270	1,587	-	190,594	-	7,137,126	(101,652)	7,035,474
Cost of goods sold	-	-	-	-	-	11,323,820	-	11,323,820	-	11,323,820
Contract services and operating expenses	31,607,517	11,437	186,776	324,923	-	2,477,489	6,613,807	41,221,949	(4,984,058)	36,237,891
Student financial aid	-	-	-	-	-	-	-	-	-	-
Capital outlay	4,304,752	22,809	-	88,200,330	-	117,090	-	92,644,981	(92,644,981)	-
Depreciation	-	-	-	-	-	183,695	-	183,695	22,554,289	22,737,984
Auxiliary activities	6,136	-	130,023,125	15,474	137,443,675	-	-	267,488,410	(123,817,242)	143,671,168
Total expenditures/expenses	<u>293,875,018</u>	<u>2,316,071</u>	<u>130,228,171</u>	<u>88,542,314</u>	<u>137,443,675</u>	<u>18,352,108</u>	<u>6,816,697</u>	<u>677,574,054</u>	<u>(203,674,232)</u>	<u>473,899,822</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>(2,295,442)</u>	<u>(900,234)</u>	<u>(1,952,560)</u>	<u>(56,527,583)</u>	<u>3,437,527</u>	<u>697,535</u>	<u>-</u>	<u>(57,540,757)</u>	<u>66,788,897</u>	<u>9,248,140</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating transfers in	7,614,362	900,234	1,968,490	6,665,938	718,173	257,286	-	18,124,483	(18,124,483)	-
Operating transfers out	(9,640,966)	-	(1,432)	(7,272,298)	(59,664)	(1,150,123)	-	(18,124,483)	18,124,483	-
Total other financing sources (uses)	<u>(2,026,604)</u>	<u>900,234</u>	<u>1,967,058</u>	<u>(606,360)</u>	<u>658,509</u>	<u>(892,837)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(4,322,046)</u>	<u>-</u>	<u>14,498</u>	<u>(57,133,943)</u>	<u>4,096,036</u>	<u>(195,302)</u>	<u>-</u>	<u>(57,540,757)</u>	<u>66,788,897</u>	<u>9,248,140</u>
<b>NET ASSETS, July 1, 2011</b>	<u>41,251,596</u>	<u>175,000</u>	<u>1,123,964</u>	<u>235,575,915</u>	<u>15,900,212</u>	<u>12,742,839</u>	<u>1,736,275</u>	<u>308,505,801</u>	<u>127,393,601</u>	<u>435,899,402</u>
<b>NET ASSETS, June 30, 2012</b>	<u>\$ 36,929,550</u>	<u>\$ 175,000</u>	<u>\$ 1,138,462</u>	<u>\$ 178,441,972</u>	<u>\$ 19,996,248</u>	<u>\$ 12,547,537</u>	<u>\$ 1,736,275</u>	<u>\$ 250,965,044</u>	<u>\$ 194,182,498</u>	<u>\$ 445,147,542</u>

**LOS RIOS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS**  
**YEAR ENDED JUNE 30, 2012**

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The District's total computation revenue for the fiscal year is as follows:

<u>Fiscal Year</u>	<u>Average Program- Based Funding per FTES</u>	<u>Funded Full-Time Equivalent Students (FTES)</u>	<u>Total Computational Revenue</u>
2011-12	\$ 4,838	\$ 48,167	\$ 233,045,263

The District's secured tax levies and collections for the preceding fiscal year are as follows:

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Amount Collected June 30</u>	<u>% Collected</u>
2010-11	\$ 9,850,702	\$ 9,628,236	98%

The District's current-year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties, is as follows:

2011-12 assessed valuation	\$ 144,543,110,465
Less: Unsecured and Utility Assessment	<u>6,170,382,341</u>
Secured Assessed Valuation	<u>\$ 138,372,728,124</u>

Property Owner	<u>2011-12 Assessed Valuation</u>
1. Intel Corporation	\$ 612,408,341
2. Buzz Oates LLC	\$ 287,530,549
3. Donahue Schriber Realty Group LP	\$ 260,899,397
4. Aerojet General Corp.	\$ 243,566,412
5. Hines VAF II Sacramento Properties LP	\$ 210,292,468
6. Hines Sacramento Wells Fargo Center	\$ 206,543,650
7. Target Corporation	\$ 206,444,697
8. Wal Mart Real Estate Bsns Trust	\$ 184,288,658
9. Harsch Investment Properties LLC	\$ 160,199,624
10. Campbell Soup Supply Co. LLC	\$ 144,633,333

**OTHER INDEPENDENT AUDITOR'S REPORTS**



**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  
Los Rios Community College District  
Sacramento, California**

We have audited the financial statements of the business-type activities and the discretely presented component unit of Los Rios Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**To the Members of the Board of Trustees  
Los Rios Community College District  
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Compliance and Other Matters

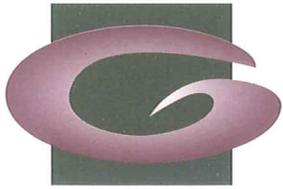
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 matters of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, District management and 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 3, 2012**



**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**

**Independent Auditor's Report**

**To the Board of Trustees  
Los Rios Community College District  
Sacramento, California**

Compliance

We have audited Los Rios Community College District's (the District) compliance 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 Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

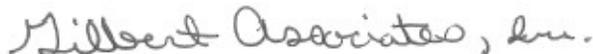
Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 3, 2012**



## REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH THE CONTRACTED DISTRICT AUDIT MANUAL

### Independent Auditor's Report

To the Board of Trustees  
Los Rios Community College District  
Sacramento, California

We have audited the Los Rios Community College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2012. 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 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 Section 400, State Compliance Requirements of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a material effect on the programs identified in the list below 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 under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

The objective of the compliance audit was to determine with reasonable assurance that the following requirements are met:

- Salaries of Classroom Instructors (50% Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation

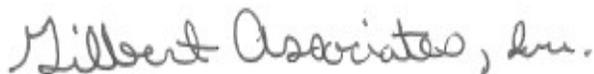
**Members of the Board of Trustees  
Los Rios Community College District  
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- California Work Opportunity and Responsibility to Kids (CalWORKS)
- Open Enrollment
- Student Fees – Instructional and Other Materials
- Student Fees - Health Fees and Use of Health Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Curriculum and Instruction
- To Be Arranged Hours (TBA)

In our opinion, the District complied, in all material respects, with the requirements specified above for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Contracted District Audit Manual*, and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as items 12-1 and 12-2.

The District's responses to the compliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, District management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 3, 2012**

## **FINDINGS AND RECOMMENDATIONS SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported

Noncompliance material to financial statements noted?

	_____ Yes	_____ <input checked="" type="checkbox"/> No
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#### *Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?

	_____ Yes	_____ <input checked="" type="checkbox"/> No
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#### Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Cluster</u>
84.063, 84.007, 84.033, 84.375, 84.268	Student Financial Assistance Programs Cluster
17.275	ARRA High Growth & Emerging Industries & WIA State Energy Sector Program
93.721	ARRA Health Information Technology
81.122	ARRA Smart Grid Investment Grant
11.557	ARRA Broadband Technology Opportunities Program

Dollar threshold used to distinguish between Type A and Type B programs: \$536,575

Auditee qualified as low-risk auditee? \_\_\_\_\_  Yes      \_\_\_\_\_ No

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2012

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### *State Awards*

Internal control over State programs:

Material weakness(es) identified?

         Yes

  ✓   No

Significant deficiency(ies) identified?

         Yes

  ✓   None Reported

Any audit findings disclosed that are  
required to be disclosed in accordance  
with Contracted District Audit Manual?

  ✓   Yes

         No

Type of auditor's report issued on  
compliance for state programs:

Unqualified

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2012

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### SECTION II – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings reported.

### SECTION III – FEDERAL COMPLIANCE

There are no federal compliance findings reported.

### SECTION IV – STATE COMPLIANCE

#### 12-1 – TO BE ARRANGED HOURS

##### **Criteria:**

Some courses with regularly scheduled hours of instruction have hours “to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures. TBA hours for classes using weekly census procedures should be scheduled the same number of hours each week of the term.

According to California Code of Regulations, Title 5, Division 6, Chapter 9, Subchapter 2, Article 1, §58102 and §58104, descriptions of all courses should be published in the official catalog and schedule of classes.

##### **Condition:**

Classes with TBA hours did not list the number of TBA hours in the college catalog as required.

##### **Questioned Costs:**

None. This does not affect the funded Full-time equivalents (FTES) as the total FTES for all TBA classes is less than the unfunded FTES for the District. Therefore, there was no financial impact.

##### **Context:**

TBA hours were not listed in the college catalog for all 25 classes tested. The FTES for all TBA hours improperly claimed for state general apportionment funding was 253.81.

##### **Effect:**

Faculty could potentially use TBA hours without the District’s knowledge.

##### **Recommendation:**

We recommend that the District review college catalogs and class schedules to ensure TBA hours are properly listed prior to issuance of such publications. We also recommend that management update their understanding of all compliance requirements surrounding TBA to ensure the District is in compliance.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2012

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### **Management Response:**

Management agrees with the requirement to note in the class schedule when a class will utilize the TBA method of attendance accounting and the number of TBA hours. The colleges' class schedules have included the appropriate references since the Chancellor's Office issued additional guidance on the use of TBA in scheduling. TBA is an attendance allowance whereby some or all of the class hours for a given section can be scheduled in "to be arranged" manner as long as the TBA portion is consistent with the attendance type (weekly or daily) for the section. An example is a Theater Arts class where the lecture portion of the course is held on set days and times and the lab component, such as rehearsals, are scheduled each week but the day and time may vary. Instructors maintain attendance records to support student attendance.

Management does not agree with the requirement that the catalog description for a course should also include verbiage regarding whether that course might be scheduled using the TBA attendance type. However, we will update our catalogs to include a reference to TBA for any course where this scheduling method might be used.

### 12-2 - INTERNAL CONTROL OVER STATE COMPLIANCE FOR GENERAL APPORTIONMENT

#### **Criteria:**

Title 5, Division 6, Chapter 9, Subchapter 1, Article 4, § 58030, indicates there should be adequate internal controls to ensure the accuracy of the attendance data submitted for state general apportionment funding.

#### **Condition:**

Certain classes were improperly claimed for state general apportionment and, for certain classes, an excess amount of FTES were claimed. The current review processes did not always detect scheduling and attendance data discrepancies and; therefore, the internal controls were not sufficient and/or were not operating effectively.

#### **Questioned Costs:**

None. The FTES for the classes improperly claimed for state general apportionment and the excess FTES originally reported by the District were below the District's unfunded FTES. Therefore, there were no questioned costs.

#### **Context:**

The following matters were identified during testing of FTES reported for state general apportionment. The aggregate FTES associated with these issues is less than the sum of the amounts reported below because certain classes were either affected by more than one issue and/or previously adjusted:

- 1) 133.51 FTES were improperly claimed for certain classes that were not scheduled consistently with the approved Course Outline of Record.
- 2) 133.4 FTES were improperly claimed for certain classes where the start and stop times of the class were not listed in the class schedule.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2012

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- 3) 272.63 FTES were improperly claimed for certain classes that were not listed in the class schedule.
- 4) 30.74 excess FTES were claimed for certain classes in which certain students had hours in excess of the hours for the class per the approved Course Outline of Record.
- 5) 23.06 FTES were improperly claimed for certain Instructional Service Agreement classes for which the instructors' agreements in place did not contain the required language with respect to the District having the primary right to control and direct the instructional activities of the instructor.

### **Effect:**

Although there is no financial impact as a result of this finding, District staff allocated a substantial amount of time to address discrepancies detected that might have been prevented or reduced with strengthened internal controls over attendance data submitted for state general apportionment funding.

### **Recommendation:**

We recommend that the District strengthen its internal controls to improve the accuracy of the attendance data submitted for state general apportionment funding. In addition, we recommend that District management, as well as a representative from the District's internal audit department, review the compliance requirements with appropriate staff to confirm a sufficient understanding of the compliance requirements so that those responsible for the development of the course schedule can more readily identify potential errors before the schedule is published.

### **Management Response:**

Management's response to the enumerated items is as follows:

- 1) There was an edit report to compare the total time scheduled to course catalog requirements; however, the report has been modified to make it easier to identify the nature of the error and correct it. These modifications are in place for Fall 2012 schedules.
- 2) This item pertains to scheduling of certain Math and English sections where students enroll in a generic section, are assessed to determine the appropriate section of Math or English, and then enrolled in a specific section. This method maximizes the use of instructional resources by scheduling sections based upon student needs for that term. However, as only the generic section was in the schedule, these FTES were disallowed. The colleges will now list all sections in the schedule as soon as they are known.
- 3) The District has reviewed these instances and developed an edit report to identify classes that are not listed in the class schedule. There are some classes that should not be in the schedule, such as closed credit. The edit report will ensure review of any section not listed in the schedule. The class set-up process defaults to a class being listed in the schedule. District staff are working with the colleges to establish the limited types of cases where classes should not be in the schedule.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2012

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- 4) This was a relatively recent change to Title 5 which used to allow up to double the catalog hours to be claimed for positive attendance classes that used the open entry/open exit (OE/OE) attendance method. Although we had been informed of the change, we had not modified the edit for recording hours for positive attendance classes that prevents hours in excess of catalog. That change has now been made and the colleges were sent a list of the instructors who taught OE/OE in fiscal year 2011-12 to inform them of the change.
  
- 5) Three instructors who taught work experience classes in apprenticeship programs had not signed the current version of the instructor consent agreement. They had signed an earlier version which had language that was not sufficient under the current Title 5 requirements. A review was done of all instructors who taught for the District in 2011-12 to secure agreements with the current language. In addition, the District has renewed its master agreements with the programs which includes the current consent agreement to be used for any new instructors.

**LOS RIOS COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings reported in the prior year.

**SECTION III – FEDERAL COMPLIANCE**

There were no federal compliance findings reported in the prior year.

**SECTION IV - STATE COMPLIANCE**

There were no state compliance findings reported in the prior year.