

**LOS RIOS COMMUNITY
COLLEGE DISTRICT**

SACRAMENTO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2013

LOS RIOS COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2013

	<u>PAGE</u>
INTRODUCTION	
Organization	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Balance Sheet	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Schedule of Funding Progress for Other Postemployment Benefits	44
SUPPLEMENTARY INFORMATION SECTION	
Schedule of Expenditures of Federal Awards	45
Schedule of State Financial Assistance	48
Schedule of Workload Measures for State General Apportionment	
Annual (Actual) Attendance	49
Reconciliation of ECS 84362 (50 Percent Law) Calculation	50
Reconciliation of Education Protection Account Expenditures to District	
Accounting Records	52
Reconciliation of Annual Financial and Budget Report (CCFS-311)	
With Audited Financial Statements	53
Note to Supplementary Information	54
ADDITIONAL INFORMATION SECTION	
Schedule of Revenues, Expenditures, and Changes in Net Position –	
2013 Actual to 2014 Budget – General Fund	55
Combining Statements of Fund Balance/Net Position by Fund	56
Combining Statements of Revenues, Expenditures/Expenses, and Changes in	
Fund Balance/Net Position by Fund	57
Schedule of Funding and Property Tax Assessments	58

LOS RIOS COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2013

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	59
Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133	61
Report on Compliance with Applicable Requirements in Accordance with the Contracted District Audit Manual	63
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Audit Findings and Questioned Costs	65
Status of Prior Year Findings and Questioned Costs	68

LOS RIOS COMMUNITY COLLEGE DISTRICT

ORGANIZATION YEAR ENDED JUNE 30, 2013

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. On August 17, 2011, the District Board of Trustees approved submission to the Registrar of Voters a change in area boundaries within the existing Los Rios District. The outside boundaries of the District remained unchanged. The new area boundaries were used for the first time in the November 2012 election.

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>
Pamela Haynes	President	2016
Robert Jones	Vice President	2014
Kay Albiani	Member	2016
Terry Cochran	Member	2016
Dustin Johnson	Member	2014
Deborah Ortiz	Member	2014
Ruth Scribner	Member	2016
Keith Kimber	Student Trustee	2013

DISTRICT ADMINISTRATION

Dr. Brian King Chancellor
Jon Sharpe Deputy Chancellor
Dr. Sue Lorimer Vice Chancellor, Education and Technology
Dr. Beverly Sandeen Vice Chancellor, Resource and Economic Development

COLLEGE ADMINISTRATION

Colleen Owings Acting 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**

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or in error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 2, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

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



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

November 25, 2013

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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. *Balance Sheet* presents the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Changes in total net position are based on the activities presented in the statement of revenues, expenses, and changes in net position.
2. *Statement of Revenues, Expenses, and Changes in Net Position* presents 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 crucial 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 as the standard for all colleges to use and these statements are prepared accordingly.

For fiscal year 2013, the District implemented GASB statements 62 (*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*), GASB 63 (*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*), and GASB 65 (*Items Previously Reported as Assets and Liabilities*).

FINANCIAL HIGHLIGHTS

The 2012-13 enacted State budget included a mid-year reduction for the community college system of \$339 million to be implemented in the event Proposition 30, a State-wide initiative to increase sales and income taxes, failed. The election was held in November 2012, five months into the fiscal year. Fortunately, the proposition passed and colleges were spared any additional reductions to those implemented in 2009-10 and 2011-12.

While Proposition 30 did not provide full relief to the reductions of the last five years, it protected education against further cuts and enabled the State to begin partial restoration of funding for access, as well as certain categorical programs. In addition, the State began paying down its debt which, for the community college system, was the deferral of apportionment payments totaling \$961 million. During 2012-13, the deferrals were reduced by \$339 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Los Rios closed the year recognizing \$5.8 million more in its general purpose revenue entitlement compared to 2011-12; however, the District's revenue entitlement was still \$18.2 million less than 2008-09. Additionally, the District closed its records projecting a 1% funding shortfall of \$2.4 million. The statewide deficit was higher than 1% but the amount in excess of that was primarily the result of revenues from the dissolution of redevelopment agencies (RDAs) coming in well short of projections.

The dissolution of RDAs was part of the 2011-12 enacted State budget. The dissolution was intended to provide an on-going increase in property tax revenues as well as one-time funding from the liquidation of RDA assets. As of June 2013, reported receipts related to the liquidation were significantly short of Department of Finance projections. The shortfall was over 4.8%, \$11 million for Los Rios. However, the District recorded the 1% shortfall described above following the State Chancellor's Office projection at that time as the RDA funding shortfall was legislatively required to be backfilled by the time of the final calculation in February 2014. The most recent information from the State Chancellor's Office is that the final deficit for the year will range from 1% to 2.5%.

There was no Cost of Living Adjustment (COLA) in 2012-13. There have been no COLA increases since 2007-08. The increase, including 2012-13 which statutorily should be funded, was 15.8% in lost funding for community colleges in 2012-13 alone. For Los Rios, the cumulative foregone revenue through 2012-13 totaled over \$100 million.

Over the last five years, the District has used a balanced plan of spending reductions, cost containment and the use of a prudent level of reserves to support programs and services to address the revenue reductions. While reductions in instructional programs and student support services were necessary components of the plan, they were achieved without reductions to full-time faculty regular assignments and through attrition (non lay-offs) of the regular faculty, classified and management positions. All position reductions were evaluated to ensure the District would be well-positioned when funding returned. Even though the District's service levels were reduced corresponding to the funding reductions, reductions were also necessary to aid in covering cost increases. For 2012-13, the combination of reduced funding and cost increases from 2008-09 totaled \$48.1 million. Reductions in programs and services totaled \$33.6 million. The balance was funded by one-time only resources of \$8.9 million and the use of reserves of \$5.6 million. The Board has designated up to \$26 million in unrestricted reserves from the capital outlay projects fund toward sustaining general fund operations. Through 2012-13, the District has used \$12 million of the authorization.

Beginning with the summer 2012 term, enrollment fees increased to \$46 per unit, a \$10 per unit increase over 2011-12 fees. Fees were \$20 in 2008-09, an increase of 130% over four years. The increase in fees was an offset to the general apportionment reduction and did not result in additional revenues for districts. Thus far, fee increases do not appear to have significantly impacted enrollment.

The District continued to improve its facilities in 2012-13. Construction projects continued throughout the District, funded primarily through voter approved bond Measures A and M and statewide construction bonds.

	Authorized	Issued to Date	Expended to Date
2002 Measure A	\$265.0 million	\$237.5 million	\$222.5 million
2008 Measure M	\$475.0 million	\$190.0 million	\$113.4 million

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

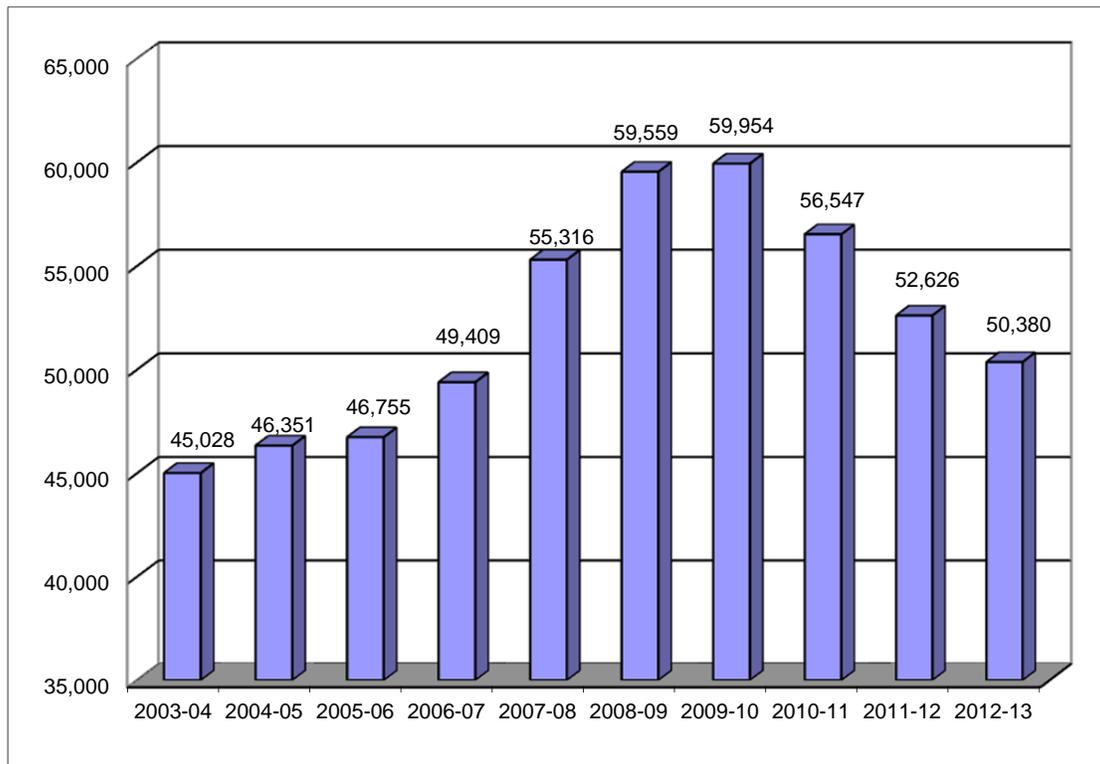
The District issued two series of bonds on June 27, 2013, \$20 million for 2002 Measure A, Series E bonds and \$60 million for 2008 Measure M, Series B bonds.

ATTENDANCE

Attendance declined by 4.3% in 2012-13. This decline correlates to the planned course reductions in response to the reduction in State funding. Even with this decrease in attendance, the District still served over 1,600 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 the level of instructional productivity; however, as the graph illustrates, the District's total instructional program has been reduced consistent with the reductions in funding.

Fall 2012 student headcount was 81,007 compared to 90,545 for Fall 2009, a reduction of 10.5% over the last three years.

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

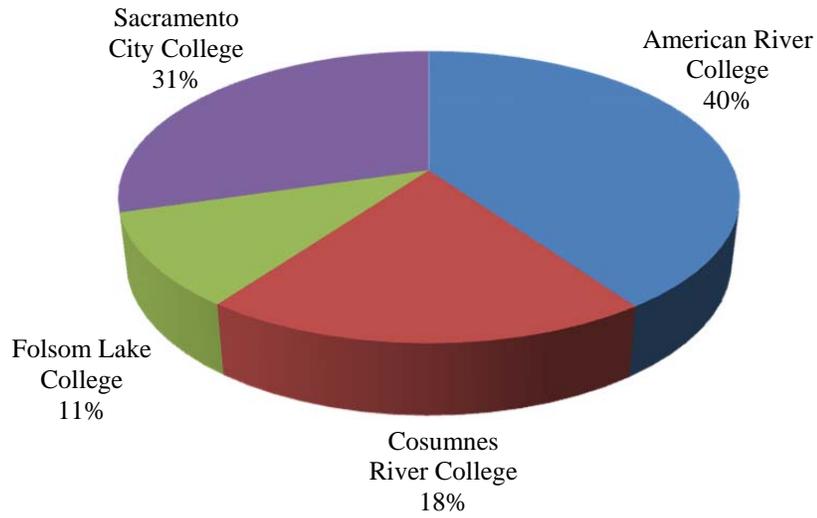


LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

District Enrollments

2012-13



LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

BALANCE SHEET

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 83,428,587	\$ 88,600,152
Restricted cash and cash equivalents	77,792,401	105,619,926
Short-term investments	491,146	537,898
Receivables	88,455,052	86,462,190
Inventory, prepaid, and other assets	5,710,118	8,496,741
Total Current Assets	255,877,304	289,716,907
Noncurrent Assets:		
Restricted investments	61,747,820	23,908,957
Long-term investments	8,231,511	8,233,186
Capital assets, net	614,525,533	539,992,262
Total Noncurrent Assets	684,504,864	572,134,405
TOTAL ASSETS	940,382,168	861,851,312
Deferred Outflows of Resources:		
Deferred amount on refunding	7,041,213	7,765,766
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	32,796,736	33,943,263
Unearned revenue	12,929,661	14,184,489
Other current liabilities	18,138,345	21,731,733
Total Current Liabilities	63,864,742	69,859,485
Noncurrent Liabilities:		
Long-term liabilities, noncurrent portion	420,111,865	343,987,193
TOTAL LIABILITIES	483,976,607	413,846,678
NET POSITION		
Net investment in capital assets	316,174,151	307,423,500
Restricted	26,350,509	24,161,091
Unrestricted		
Reserve for noncash assets	5,867,341	5,855,358
Contractual obligations	14,560,973	16,472,036
Designated for capital and other projects	68,203,277	63,856,142
General fund shortfall reserve	14,008,946	19,633,946
Unrestricted/general contingency reserve	18,281,577	18,368,327
Total Unrestricted	120,922,114	124,185,809
TOTAL NET POSITION	\$ 463,446,774	\$ 455,770,400

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Balance Sheet Highlights

- Current assets decreased by \$33.8 million or 12% over 2012-13. Most of the decline, \$27.8 million, is in restricted cash and cash equivalents due to draws for Measures A and M construction projects. Inventory, prepaid and other assets decreased by \$2.8 million as a result of the implementation of GASB 65 which changed the accounting treatment for debt issuance costs. Prior to GASB 65, issuance costs were amortized over the life of the bonds. They are now expensed in the year incurred.
- Noncurrent Assets increased by \$112 million or 20%. Restricted investments changed by \$37.8 million reflecting the investment of the proceeds of the two series issued in late June (2002 Series E and 2008 Series B) totaling over \$60 million offset by the maturing investment of \$23.9 million in proceeds from 2008 Series A. The majority of the increase in noncurrent assets is in capital assets, net, which grew by \$75.6 million from the construction of new and modernization of existing facilities. During 2012-13, the District added over 580,000 square feet and modernized more than 60,000 square feet. Capital assets also changed as a result of implementing GASB 62. Under GASB 62, the annual interest costs for debt service are capitalized to assets in the construction phase, then when completed are depreciated over the assets useful life. The implementation required capitalization of prior and current year interest costs of \$22 million less depreciation of \$0.9 million. The District also received two large donations totaling \$4.1 million.
- Current liabilities changed by \$6 million or 9%. \$3.6 million is due to lower current portion principal retirements of \$7.3 million, versus the prior fiscal year, less the increase in amortization of bond premiums for 2012-13.
- Noncurrent liabilities increased by \$76.1 million (22%) primarily due to the issuance of 2002 Series E of \$20 million and 2008 Series B of \$60 million bonds less the retirement for current year principal of \$7.3 million. In addition, unamortized bond premiums increased by \$1.3 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2013	2012
REVENUES		
Operating Revenues:		
Net tuition and fees	\$ 24,409,330	\$ 21,873,283
Grants, contracts, and other designated revenues, noncapital	36,416,685	39,697,453
Auxiliary enterprise sales	19,093,999	18,678,056
Other operating income (payments)	2,393,542	2,491,898
Total Operating Revenue	82,313,556	82,740,690
 Total Operating Expenses	 340,397,054	 330,603,781
Operating Income (Loss)	(258,083,498)	(247,863,091)
 Nonoperating Revenues (Expenses):		
State apportionments, noncapital	140,268,214	172,654,279
Education protection account	38,547,050	-
Local property taxes	49,571,912	51,303,910
Lottery and other revenue	8,917,706	9,320,135
Investment income (expense)	153,613	226,574
Other nonoperating revenues (expenses)	(584,216)	(2,123,387)
Total Nonoperating Revenues (Expenses)	236,874,279	231,381,511
 Income Before Other Revenues, Expenses, Gains, or Losses	 (21,209,219)	 (16,481,580)
Apportionment and property taxes, capital	29,491,968	38,094,469
Interest income (expense), capital	(4,723,650)	(8,046,335)
Grants and gifts, capital	5,621,099	101,708
Other income (expense)	(1,503,824)	(708,948)
Increase (Decrease) in Net Assets	7,676,374	12,959,314
Net Position - Beginning of Year	445,147,542	442,811,086
Cumulative Effect of Changes in Accounting Principle	10,622,858	-
Net Position - Beginning of Year Adjusted	455,770,400	442,811,086
Net Position - End of Year	\$ 463,446,774	\$ 455,770,400

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Revenue and Expense Highlights

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

- Net tuition and fees increased by \$2.5 million (12%). Student enrollment fees increased from \$36 per unit in fiscal year 2011-12 to \$46 per unit in fiscal year 2012-13. Enrollment fees increased by \$12 million but that was partially offset by an increase in BOG fee waivers of \$9.2 million.
- Grants, contracts and other designated revenues decreased \$3.3 million (8%), primarily due to the end of programs funded by the American Recovery and Reinvestment Act (\$4.5 million) and Vocational Technical Grants (\$0.8 million). Other designated revenues increased due to the receipt of mandated cost block grant revenue (\$1.4 million).
- Total Non-operating Revenues increased by \$5.5 million or 2% over 2012-13 mostly due to funds provided to restore access (\$2.6 million), and the change in the projected shortfall (deficit) year over year of \$3.1 million. The major change though is in funding source. For 2013, State apportionments, noncapital decreased by \$32.4 million. In place of those apportionments is funding from the Education Protection Account (EPA) which was created by Proposition 30 to guarantee that funds generated from the tax increases would go directly to fund education. It is important to note that the EPA funding is not an increase in resources but rather a replacement of one funding source, apportionments, with another, EPA. The amount funded by the EPA is higher than the change in apportionments due to EPA funding the change in deficit as well as changes in property taxes and other adjustments in funding sources across the two years.
- Apportionment and property taxes, capital decreased \$8.6 million (23%) primarily due to a decrease of \$9.4 million in revenues from State Capital Outlay Bond funds for community college construction. This source will decline in 2013-14 as the State does not have a new authorization and the remaining projects for the District total less than \$0.5 million.
- Interest expense, capital decreased by \$3.3 million (41%) due to the implementation of GASB 62, capitalizing \$8.4 million in fiscal year 2012-13 versus \$4.8 million in 2011-2012. In addition, there was a change in realized gains/losses from investments and surplus assets disposed of \$0.2 million.
- Grants and gifts, capital increased by \$5.5 million due to the donation by Federal Express of a B727 aircraft valued at \$2.5 million to support the aeronautics program at Sacramento City College, and a gift valued at \$1.6 million of Andy Warhol prints to American River College. The increase also includes \$1.3 million in gifts raised by the Los Rios Foundation's Capital Campaign toward the construction costs of the Cosumnes River College Winn Center. The new instructional facility houses the college's architect and construction programs.
- Cumulative net effect of changes in accounting principle is the result of the implementation of GASB 62, which increased beginning net position by requiring the capitalization of interest costs on bond debt to construction projects of \$13 million and GASB 65, which decreased beginning net position by requiring bond issuance costs be expensed rather than amortized over the life of the debt of \$2.4 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

OPERATING EXPENSES

	2013	2012
Operating Expenses (by Natural Classification)		
Compensation	\$ 201,843,437	\$ 199,955,039
Employee benefits	55,303,669	54,559,751
Other post-employment benefits (OPEB)	3,568,576	(1,621,305)
Supplies, materials, other operating expenses, and services	46,871,830	47,776,187
Utilities	7,661,625	6,828,131
Depreciation	25,147,917	23,105,978
Total Operating Expenses	\$ 340,397,054	\$ 330,603,781

Operating Expense Highlights

- Compensation increased by \$1.8 million (1%) due to a one-time salary schedule improvement of \$4.1 million offset by continued salary savings through vacant and closed positions.
- Employee benefits increased by \$0.8 million (2%) due to the benefits associated with the one-time salary schedule improvement and changes to employer's contribution to retirement and benefits and again offset by savings in vacant and closed positions.
- Other post-employment benefits (OPEB) represents the actuarially determined Annual Required Contribution (ARC). For 2011-12, the ARC was a credit as the District's actuarial value of assets exceeded its actuarial accrued liability by \$5.2 million as of July 1, 2011, which was offset by the normal cost for 2011-12 of \$3.6 million. The normal cost for 2012-13 was \$3.8 million.
- Depreciation increased \$2 million (8.8%) due to newly constructed assets placed into service during the current year and the implementation of GASB 62.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CASH FLOW

	2013	2012
Statement of Cash Flows		
Cash Provided (Used) By:		
Operating activities	\$ (223,945,654)	\$ (226,039,432)
Noncapital financing activities	237,111,080	216,586,656
Subtotal operating and noncapital financing activities	13,165,426	(9,452,776)
Capital and related financing activities	(8,397,131)	(64,072,829)
Investment activities	(37,767,385)	70,494,598
Net Increase (Decrease) in Cash	(32,999,090)	(3,031,007)
Cash - Beginning of the fiscal year	194,220,078	197,251,085
Cash - End of the fiscal year	\$ 161,220,988	\$ 194,220,078

Cash Flow Highlights

- Operating and noncapital financing activities represent the resulting cash flow from the day-to-day functions of our educational enterprise. The net increase in cash is primarily the result of the buy down of the deferrals and the payment of EPA funds in June.
- Capital and related financing activities primarily represent capital expenditures and financing to support those activities. The change in cash of \$55.7 million is primarily due to bond proceeds and premiums received, less debt issuance costs, of \$83.1 million that remained unspent. This was offset by increased spending in capital improvements in 2012-13 of \$95 million compared to \$66 million 2011-12.
- Investing activities primarily represent investing bond proceeds from the sale of 2002 Measure A, Series E and 2008 Measure M, Series B (both issued June 2013) until those funds are needed for capital expenditures. This was offset by the maturity of investments from the proceeds of Measure M, Series A.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget. The Governor signed the 2013-14 State Budget Act on June 27, 2013. This budget contains nearly \$265 million more in appropriations over 2012-13, including funding to restore access (class sections), a cost of living adjustment (COLA), partial categorical restoration, and funds for implementation of the Student Success Act. Additionally, the budget provides for continued progress toward paying down the deferrals reducing the debt from \$961 million before the passage of Proposition 30 to about \$592 million at the end of the budget year. Lastly, he modified a proposal to shift Adult Education to California Community Colleges in 2013-14 to a two-year horizon, including \$25 million in planning funds to help facilitate the transition.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Governor Jerry Brown's budget for 2013-14 signals his commitment to California Community Colleges and, to a degree, to reshaping the mission and expectations of our colleges. These expectations provide many challenges to our system, yet provide exciting opportunities and a focus for addressing and improving outcomes for our students.

For Los Rios, the 2013-14 year will be relatively status quo. The increased revenues from the COLA and access will be used toward offsetting 2013-14 cost increases and also toward closing the gap between resources and allocations. For 2013-14, the District projects a draw on reserves of \$3.7 million in its best case scenario which would bring the cumulative draw on the \$26 million authorized by the Board to just \$15.8 million. The expenditure plan maintains most of the reductions implemented through 2012-13; however, it is reasonable to project that by 2014-15, there will be little or no reliance on reserves and the District will be able to gradually add back or create new programs to meet the needs of our students and the community. The following reflects the current status of certain items in the 2013-14 State budget.

Apportionment Deferrals. The State further reduces the inter-year deferrals by allocating \$30 million for deferral reduction in 2013-14. Prior to 2012-13, the State was paying almost 1/5th of its apportionment obligation after the close of the fiscal year. In 2012-13, the State allocated \$339 million to reduce the deferrals which were causing a strain on districts' cash reserves. The buy down is bringing relief in terms of cash flow as well as reducing the State's debt obligations.

Cost Increases. The 2013-14 COLA will be the first since 2007-08 at the statutorily required rate of 1.57%. While relatively low, the COLA for 2013-14 indicates that both the Governor and legislature recognize the importance of this line item. The State Chancellor's Office has submitted its budget change proposal requesting a "super" COLA for 2014-15 to make up for some of the lost purchasing power from the foregone COLAs described earlier.

Education Bonds. Due to the financial downturn, there is currently no educational bond slated for an upcoming statewide ballot. Statewide, there are billions of dollars needed for community college capital facility projects. Some future District projects were planned on the basis of the State funding a share of the cost. If a State bond is not authorized, some projects may be delayed until State funds are available.

In addition, Proposition 98 funds reverting from past years are not available to support facility and equipment expenditures. These augmentations have been important for California Community Colleges by allowing them 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.

Scheduled Maintenance and Scheduled Repairs (SMSR) and State Instructional Equipment Funds (SIEF). For the first time since 2008-09, the District received funds for SMSR and SIEF for 2013-14 (\$0.6 million for each program), with plans to use these funds to improve facilities and update instructional equipment and library materials.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Proposition 39. \$47 million is provided for energy efficiency efforts and/or training from funding realized by the passage of Proposition 39. Districts need to submit a list of projects before receiving their authorization. Los Rios is scheduled to receive \$1.7 million.

Online Education. \$16.9 million was provided Statewide to enhance online education in the California Community Colleges and create a Statewide portal.

Adult Education. In the May revised budget, the Governor withdrew his January proposal for Adult Education (a shift of responsibility for apprenticeship programs and adult education from K-12 districts to community colleges). He did, however, include \$25 million for planning related to regional Adult Education programs to occur over two years. If implemented, this would be a significant change for both systems.

Property Tax Revenues from Redevelopment Agencies (RDAs). Although legislation was passed to guarantee that the system would receive backfill for any shortfall from the revenue projections related to the dissolution of RDAs, the actual implementation of that backfill has been difficult as reporting differences materialized between the Department of Finance and districts. The State Chancellor's Office continues to work with the Department of Finance to resolve the 2012-13 revenue shortfall and hopefully avert a similar situation for 2013-14.

Education Protection Account (EPA). The tax increases funding the EPA are temporary but they support on-going costs. The sales tax increase expires at the end of 2016 and the personal income tax in 2018. The State will need to consider options to replace these revenues or continue them in a relatively short timeframe.

Funding Sources for California Community Colleges In 2008-09, State general fund provided 66% of the dollars supporting California Community Colleges. In 2012-13, State general fund was only providing 35%. This change is important as the funding sources that have made up the difference are less predictable and/or temporary. The concern is funding shortfalls may become more prevalent than in past years which adds complexity to planning.

In summary, the State appears to have turned the corner in addressing its fiscal issues. The Governor has exercised prudence by emphasizing the need for paying down the debt and establishing reserves. He also is focused on improving educational outcomes for the system as well as restoring access.

LOS RIOS COMMUNITY COLLEGE DISTRICT

BALANCE SHEET JUNE 30, 2013

	Primary Institution	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 83,428,587	\$ 1,022,589
Restricted cash and cash equivalents	77,792,401	-
Short-term investments	491,146	-
Accounts receivable, net	88,291,516	216,727
Interest receivable	163,536	-
Inventory	1,884,154	-
Prepaid expenses	3,825,964	11,538
Other assets	-	50
Total current assets	255,877,304	1,250,904
Noncurrent assets:		
Long-term investments	8,231,511	10,880,023
Restricted investments	61,747,820	-
Pledged receivable, net	-	306,798
Nondepreciable capital assets	82,191,888	-
Depreciable capital assets, net	532,333,645	-
Total noncurrent assets	684,504,864	11,186,821
TOTAL ASSETS	940,382,168	12,437,725
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	7,041,213	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 947,423,381	\$ 12,437,725
LIABILITIES		
Current liabilities:		
Accounts payable	13,285,181	1,498,434
Accrued salaries and related benefits	12,472,889	-
Interest payable	7,038,666	-
Unearned revenue	12,929,661	6,240
Compensated absences	5,142,329	-
Other accrued liabilities	925,646	-
Amounts held in trust for others	1,395,631	490
Long-term debt due within one year	10,674,739	-
Total current liabilities	63,864,742	1,505,164
Noncurrent liabilities:		
Payable under trust agreements	-	15,558
Compensated absences	11,344,100	-
Claims liability	8,262,755	-
Other postemployment benefit liability	812,133	-
Long-term debt	399,692,877	-
Total noncurrent liabilities	420,111,865	15,558
TOTAL LIABILITIES	483,976,607	1,520,722
NET POSITION		
Net investment in capital assets	316,174,151	-
Restricted for:		
Nonexpendable:		
Scholarships	-	4,318,795
Expendable:		
Scholarships and loans	661,228	4,965,424
Capital projects	22,067,170	-
Other special purposes	3,622,111	-
Unrestricted	120,922,114	1,632,784
TOTAL NET POSITION	463,446,774	10,917,003
TOTAL LIABILITIES AND NET POSITION	\$ 947,423,381	\$ 12,437,725

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2013

	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees (gross)	\$ 66,850,060	\$ -
Less: scholarship discounts and allowances	(42,440,730)	-
Net tuition and fees	24,409,330	-
Grants and contracts, noncapital:		
Federal	13,198,488	-
State	17,269,568	-
Local	5,948,629	-
Auxiliary enterprise sales and charges	19,093,999	-
Other operating income	2,393,542	-
TOTAL OPERATING REVENUES	82,313,556	-
OPERATING EXPENSES		
Salaries	201,843,437	18,274
Employee benefits	58,872,245	1,571
Supplies, materials, and other operating expenses and services	46,846,166	2,938,287
Utilities	7,661,625	-
Depreciation	25,147,917	-
Payments to students	25,664	446,830
TOTAL OPERATING EXPENSES	340,397,054	3,404,962
OPERATING LOSS	(258,083,498)	(3,404,962)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	140,268,214	-
Education protection account	38,547,050	-
Local property taxes	49,571,912	-
Lottery, state taxes and other revenues	8,917,706	-
Interest income, noncapital	336,935	141,901
Investment income (expense), noncapital	(95,535)	293,260
Interest expense	(87,787)	-
Financial aid revenues, federal	114,897,880	-
Financial aid revenues, state	4,349,244	-
Financial aid expenses	(121,838,585)	-
Other non-operating revenues - grants/gifts, non-capital	104,885	2,289,624
Other non-operating revenues - grants/gifts, misc.	1,902,360	-
TOTAL NON-OPERATING REVENUES	236,874,279	2,724,785
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(21,209,219)	(680,177)
CAPITAL ACTIVITIES		
State apportionments, capital	3,806,584	-
Local property taxes and revenues, capital	25,685,384	-
Interest income, capital	773,827	-
Investment expense, capital	(396,565)	-
Interest expense on capital asset-related debt	(5,123,949)	-
Cost of bond issuance	(1,503,824)	-
Grants and gifts, capital	5,621,099	-
Gain from disposal of capital assets	23,037	-
INCREASE (DECREASE) IN NET POSITION	7,676,374	(680,177)
NET POSITION -- BEGINNING OF YEAR, as previously reported	445,147,542	11,597,180
Cumulative effect of change in accounting principles	10,622,858	-
NET POSITION -- BEGINNING OF YEAR, as restated	455,770,400	11,597,180
NET POSITION -- END OF YEAR	\$ 463,446,774	\$ 10,917,003

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2013

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 23,499,418	\$ -
Federal grants and contracts	13,682,099	-
State grants and contracts	18,237,809	-
Local grants and contracts	4,025,415	-
Payments to suppliers	(51,970,672)	(243,512)
Payments to/on behalf of employees	(252,774,102)	(53,107)
Payments to/on behalf of students	(25,664)	-
Auxiliary enterprise sales and charges	19,114,007	-
Other receipts (payments)	<u>2,266,036</u>	<u>(1,770,606)</u>
Net cash used by operating activities	<u>(223,945,654)</u>	<u>(2,067,225)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	140,030,838	-
Education protection account receipts	38,547,050	-
Local property and state taxes, lottery and other state receipts	58,781,367	-
Gifts and grants for other than capital purposes	2,007,245	2,428,193
Financial aid, scholarship, loan trust receipts - federal	114,829,036	-
Financial aid, scholarship, loan trust receipts - state	4,369,243	-
Financial aid expenses	(121,838,585)	-
Student organization agency receipts	58,243	-
Interest on noncapital investments	414,378	246
Interest paid on non-capital debt	<u>(87,735)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>237,111,080</u>	<u>2,428,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	80,000,000	-
Premium received on capital debt	4,638,381	-
Debt issuance costs	(1,499,347)	-
State apportionments for capital purposes	1,579,446	-
Capital grants and gifts received	1,523,599	-
Purchases of capital assets	(95,354,292)	-
Gain from sale of capital assets	1,926	-
Principal paid on capital debt	(11,530,000)	-
Interest paid on capital debt	(14,084,325)	-
Interest received on capital investments	1,181,352	-
Local property taxes and other revenues for capital	25,116,623	-
Other receipts	<u>29,506</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(8,397,131)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	61,336,707	4,137,412
Interest on investments	16,897	206,699
Investment fees	-	(64,404)
Purchases of investments	<u>(99,120,989)</u>	<u>(4,578,405)</u>
Net cash used by investing activities	<u>(37,767,385)</u>	<u>(298,698)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,999,090)	62,516
CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR	<u>194,220,078</u>	<u>960,073</u>
CASH AND CASH EQUIVALENTS -- END OF YEAR	<u>\$ 161,220,988</u>	<u>\$ 1,022,589</u>

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, 2013

	Primary Institution	Foundation
RECONCILIATION TO BALANCE SHEET:		
Cash and cash equivalents	\$ 83,428,587	\$ 1,022,589
Restricted cash and cash equivalents	77,792,401	-
Total cash and cash equivalents	\$ 161,220,988	\$ 1,022,589
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (258,083,498)	\$ (3,404,962)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	25,147,917	-
Changes in assets and liabilities:		
Accounts receivable, net	(198,249)	48,910
Inventory	191,065	-
Other assets	2,595,558	(11,538)
Accounts payable	2,554,934	1,313,973
Accrued salaries and related benefits	4,622,713	(7,918)
Unearned revenue	(1,261,680)	-
Compensated absences	(175,387)	-
Other accrued liabilities	(151,321)	-
Other liabilities	812,294	(5,690)
Net cash used by operating activities:	\$ (223,945,654)	\$ (2,067,225)

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, four 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 discretely presented 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, 2013

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.

Current Year GASB Implementation – For the year ended June 30, 2013, the District implemented GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the District's net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The District also implemented GASB Statement 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as of June 30, 2013. 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 affect the District relate to (a) capitalization of interest costs, and (b) imputation of interest costs. The guidance for the capitalization of interest costs reflects a change from previously issued guidance for governments using the business-type model.

In accordance with GASB 62, interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. In accordance with GASB 65, bond issuance costs are recognized as an expense in the year incurred. Since GASB 62 and 65 require retroactive application, interest subject to capitalization in prior years in the amount of \$13,030,024 was added to the cost of capital assets and bond issuance costs that were previously reported as asset in the amount of \$2,407,166 were written off. As a result, for the year ended June 30, 2013, the beginning net position increased by \$10,622,858 as the cumulative effect of changing in accounting principles. The retroactive implementation of GASB 63 and 65 did not have a material impact on the actual and pro forma financial statements as of and for the year ended June 30, 2012.

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, 2013, the fair value of the County pool is 99.99% 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.

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, 2013, the fair value of LAIF is 100.03% of the carrying value. The total fair value amount invested by all public agencies in LAIF at June 30, 2013 was \$21,212,245,833. LAIF is a part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2013, were \$58,828,474,533. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2013, totaling \$753,400,000, approximately 1.88% of the total portfolio, and structured notes totaling \$400,000,000, approximately .8% 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.

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 includes state general apportionment and 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 \$130,495 at June 30, 2013.

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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

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, construction in progress and collectibles are considered non-depreciable capital assets; therefore, no depreciation is computed.

Interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. The interest capitalized for the year ended June 30, 2013 is \$8,377,515.

Deferred Outflow/Deferred Inflow of Resources – In addition to assets, the balance sheet will sometimes report a separate section from deferred outflows of resources. This separate financial element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has one item, deferred amount on refunding, that qualifies for reporting in this category in the balance sheet. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding bond.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have items that qualify for reporting in this category.

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.

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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.

Net Position – The District's net position is classified as follows:

Net Investment 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 Position – 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 Position – 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*.

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 Position. 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, Enrollment Fees and Education Protection Account – The District's base funding is received from a combination of state apportionment, property taxes, student enrollment fees and the Education Protection Account (EPA).

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.

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.

The EPA was created by Proposition 30 to guarantee that funds generated from the tax increases would go directly to fund education. The EPA is funded and monitored separately from state apportionment.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Future Accounting Pronouncements – In June of 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires implementation retroactively and may require a restatement of beginning net position.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2013, are classified in the accompanying balance sheet as follows:

Cash and cash equivalents	\$ 83,428,587
Restricted cash and cash equivalents	77,792,401
Short-term investments	491,146
Long-term investments	8,231,511
Restricted investments	<u>61,747,820</u>
Total cash, cash equivalents and investments	<u>\$ 231,691,465</u>

The District's cash, cash equivalents and investments as of June 30, 2013, consist of the following:

	<u>Fair Value</u>
Petty cash/cash awaiting deposit	<u>\$ 2,295,901</u>
Deposits with financial institutions	<u>5,275,384</u>
Pooled cash, cash equivalents and investments:	
County Treasury Pooled Investment Fund	153,649,703
Local Agency Investment Fund	8,722,657
Money Market Mutual Fund	<u>58,703</u>
Subtotal pooled cash, cash equivalents and investments	<u>162,431,063</u>
Investment securities:	
U.S. government agency securities:	
Federal Farm Credit Bank	586,340
Federal Home Loan Mortgage Corporation	<u>61,102,777</u>
Subtotal investment securities	<u>61,689,117</u>
Total cash, cash equivalents and investments	<u>\$ 231,691,465</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, 2013, the District's bank balances were exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Uninsured and collateralized with securities held by pledging bank, or the pledging bank's trust department or agent, but not in the District's name	\$ 7,090,176

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 AAA by Standard & Poor's.

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 27% 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

The schedule of maturities at June 30, 2013, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Maturity (in Years)</u>	
			<u>1-5</u>	<u>6-10</u>
County Treasury Pooled Investment Fund	\$ 153,649,703	\$ 153,649,703	\$ -	\$ -
Local Agency Investment Fund	8,722,657	8,722,657	-	-
Money Market Mutual Fund	58,703	58,703	-	-
Federal Farm Credit Bank	586,340	-	-	586,340
Federal Home Loan Mortgage Corporation	<u>61,102,777</u>	<u>61,102,777</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 224,120,180</u>	<u>\$ 223,533,840</u>	<u>\$ -</u>	<u>\$ 586,340</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, 2013:

Federal grants and contracts	\$ 2,574,276
State grants and contracts	1,190,672
Local grants and contracts	820,384
State apportionment - noncapital	64,820,165
State apportionment - capital	15,545,152
Local property taxes	1,348,964
Auxiliaries	913,807
Tuition and fees	444,977
Other	<u>633,119</u>
Total	<u>\$ 88,291,516</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012 (Restated)	Additions / Transfers	Deductions / Transfers	Balance June 30, 2013
Nondepreciated capital assets:				
Land	\$ 10,512,904	\$ -	\$ -	\$ 10,512,904
Construction in progress	69,167,750	42,926,005	(42,012,271)	70,081,484
Collectables	-	1,597,500	-	1,597,500
	<u>79,680,654</u>	<u>44,523,505</u>	<u>(42,012,271)</u>	<u>82,191,888</u>
Total nondepreciated capital assets				
Depreciated capital assets:				
Site improvements	47,878,408	2,569,428	-	50,447,836
Buildings and improvements	519,062,703	83,407,190	-	602,469,893
Equipment	129,019,210	10,743,883	(1,167,854)	138,595,239
Library books	6,651,174	461,764	(542,668)	6,570,270
	<u>702,611,495</u>	<u>97,182,265</u>	<u>(1,710,522)</u>	<u>798,083,238</u>
Total depreciated capital assets	702,611,495	97,182,265	(1,710,522)	798,083,238
Less: accumulated depreciation	<u>(242,299,887)</u>	<u>(25,147,917)</u>	<u>1,698,211</u>	<u>(265,749,593)</u>
	<u>460,311,608</u>	<u>72,034,348</u>	<u>(12,311)</u>	<u>532,333,645</u>
Total assets being depreciated	460,311,608	72,034,348	(12,311)	532,333,645
Total capital assets - net	<u>\$ 539,992,262</u>	<u>\$ 116,557,853</u>	<u>\$ (42,024,582)</u>	<u>\$ 614,525,533</u>

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012 (Restated)	Additions	Payments and Reductions	Balance June 30, 2013	Current Portion
General obligation bonds	\$ 308,710,000	\$ 80,000,000	\$ (11,315,000)	\$ 377,395,000	\$ 7,125,000
Bond issuance premiums	25,096,161	4,638,381	(2,674,189)	27,060,353	3,328,497
Certificates of participation	6,105,000	-	(215,000)	5,890,000	220,000
Certificates of participation issuance premiums	23,505	-	(1,242)	22,263	1,242
	<u>\$ 339,934,666</u>	<u>\$ 84,638,381</u>	<u>\$ (14,205,431)</u>	<u>\$ 410,367,616</u>	<u>\$ 10,674,739</u>
Total	\$ 339,934,666	\$ 84,638,381	\$ (14,205,431)	\$ 410,367,616	\$ 10,674,739

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

BOND DEBT

The outstanding general obligation bond debt as of June 30, 2013, is as follows:

	Original Issue	Refunding Issuance	Outstanding Balance
Measure A Bonds			
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	-	-
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	-	4,470,000
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	-	51,185,000
2002 Series E general obligation bonds, due in annual installments of \$500,000 to \$1,250,000 beginning August 1, 2014, through August 1, 2038, at an interest rate from 2.00% to 5.00%	20,000,000	-	20,000,000

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

	Original Issue	Refunding Issuance	Outstanding Balance
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	19,060,000
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	39,740,000
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	62,365,000
Total Measure A Bonds	<u>237,500,000</u>	<u>124,140,000</u>	<u>196,820,000</u>

Measure M Bonds

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	-	120,575,000
2008 Series B general obligation bonds, due in annual installments of \$1,000,000 to \$4,500,000 beginning August 1, 2014, through August 1, 2038, at an interest rate of 2.00% to 5.00%	60,000,000	-	60,000,000
Total Measure M Bonds	<u>190,000,000</u>	<u>-</u>	<u>180,575,000</u>
Total Measure A & M Bonds	<u>\$ 335,000,000</u>	<u>\$ 124,140,000</u>	<u>\$ 377,395,000</u>

The outstanding general obligation bond debts mature as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 7,125,000	\$ 16,147,165	\$ 23,272,165
2015	8,990,000	17,331,538	26,321,538
2016	9,485,000	16,943,406	26,428,406
2017	10,115,000	16,541,406	26,656,406
2018	10,795,000	16,115,531	26,910,531
2019-2023	66,375,000	72,578,731	138,953,731
2024-2028	94,730,000	53,650,369	148,380,369
2029-2033	94,805,000	28,959,938	123,764,938
2034-2038	69,225,000	7,221,122	76,446,122
2039	<u>5,750,000</u>	<u>122,188</u>	<u>5,872,188</u>
Total	<u>\$ 377,395,000</u>	<u>\$ 245,611,394</u>	<u>\$ 623,006,394</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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>
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	260,000	221,089	481,089
2019-2023	1,490,000	930,231	2,420,231
2024-2028	1,845,000	569,969	2,414,969
2029-2031	<u>1,355,000</u>	<u>127,419</u>	<u>1,482,419</u>
Total	<u>\$ 5,890,000</u>	<u>\$ 2,826,874</u>	<u>\$ 8,716,874</u>

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. The parking structure was completed and opened in June 2013.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, 2013, was \$348,958. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payments</u>
2014	\$ 357,291
2015	271,752
2016	182,778
2017	190,573
2018	<u>194,801</u>
Total	<u>\$ 1,197,195</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, 2013.

These are included in the District's capital assets on the Balance Sheet. 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	1992-2018	\$ 7,381,915	1992-93	\$559,343 to \$571,494
Cosumnes River College Fine Arts Complex	1993-2019	\$ 8,021,000	1993-94	\$792,955 to \$806,781
Sacramento City College Learning Resource Center	1993-2017	\$ 14,592,000	1993-94	\$863,066 to \$1,428,786
Folsom Lake College Instructional Facilities 1B	2005-2030	\$ 36,841,000	2001-02	\$809,709 to \$2,499,000

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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 2012-13 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, 2013, 2012, and 2011, were \$9,134,316, \$8,393,726, \$9,492,298, respectively, and equal 100% of the required contributions for each year.

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

Classic active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. Effective January 1, 2013, new active members are required to contribute 6% of their salary. 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 2012-13 was 11.417% 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, 2013, 2012, and 2011, were \$7,589,804, \$7,388,226, \$7,476,065, 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, 2013

Public Agency Retirement System (PARS)

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 are individuals employed in certain classified assignments 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. The plan requires a contribution of at least 7.5% of wages. The contribution is split evenly with the employees contributing 3.75% and the District contributing 3.75%. The plan results in savings for both employees and the District. The District's contribution to the Plan for fiscal year ended June 30, 2013, was \$223,777. 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.

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 International Union (SEIU) 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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 838 retirees receiving benefits and 2,028 active participants, of which 1,237 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.

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. In July 2013, the District contributed an additional \$3,568,576 to the Trust in order to fund the annual required contribution. The value of the accumulated assets in the Trust for the year ended June 30, 2013, was \$86,254,750.

Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level % of projected payroll over 1 year
Interest rate assumption	4.50%
Annual increase in benefit cap	5.00%
Normal cost	\$ 3,790,990
Amortization of Unfunded Actuarial Accrued Liability (UAAL) due to asset and experience	<u>(222,414)</u>
Annual required contribution (ARC)	3,568,576
Contributions to the Trust	<u>-</u>
Increase in OPEB obligation	3,568,576
Net OPEB asset at July 1, 2012	<u>(2,756,443)</u>
Net OPEB liability at June 30, 2013	<u>\$ 812,133</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2013, and the preceding years are 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, 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)
June 30, 2013	\$ 3,568,576	-	0.00%	\$ 812,133

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>
7/1/07	\$ -	\$ 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%

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Condensed Trust Financial Statements

The financial statements at June 30, 2013, for the Trust are presented below. The Trust does not issue a separate report.

Trust Statement of Net Position (Unaudited)

	<u>June 30, 2013</u>
Assets:	
Cash and cash equivalents	\$ 613,620
Interest receivable	1,399
Long-term investments	<u>85,639,731</u>
Total assets	86,254,750
Accounts payable	<u>63,820</u>
Net position	<u>\$ 86,190,930</u>

Trust Statement of Changes in Net Position (Unaudited)

	<u>June 30, 2013</u>
Additions:	
Contributions	<u>\$ -</u>
Investment income:	
Net realized and unrealized gains on investments	2,408,205
Dividends and interest	<u>3,059,605</u>
Total investment income	<u>5,476,810</u>
Total additions to net assets	<u>5,467,810</u>
Deductions:	
Benefit Expenses	(2,158,431)
Administrative Expenses	<u>(252,048)</u>
Total deductions from net position	<u>(2,410,479)</u>
Increase in net position	3,057,331
Net position – beginning of year	<u>83,133,599</u>
Net position – end of year	<u>\$ 86,190,930</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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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.

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 \$33,570,347. 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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 \$8,262,755 for liability, property, and workers' compensation claims. The liabilities for dental totaling \$465,256 are included as other accrued liabilities and are not discounted. 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 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, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustments - beginning of year	\$ 8,444,525	\$ 8,543,245
Incurred claims and claims adjustments:		
Provision for insured events of the current year	1,309,902	2,356,561
Increases (decreases) in provision for insured events of prior years	<u>(301,303)</u>	<u>(1,125,166)</u>
Total incurred claims and claim adjustments	<u>1,008,599</u>	<u>1,231,395</u>
Less payments:		
Claims and claim adjustments attributable to insured events of the current years	300,266	406,481
Claims and claim adjustments attributable to insured events of prior years	<u>890,105</u>	<u>923,634</u>
Total payments	<u>1,190,371</u>	<u>1,330,115</u>
Total unpaid claims and claim adjustments – end of year	<u>\$ 8,262,755</u>	<u>\$ 8,444,525</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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 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:

	June 30, 2012	June 30, 2012
	SELF	ASCIP
Total Assets	\$ 171,510,000	\$ 272,622,432
Total Liabilities	132,654,000	148,239,028
Net Assets	<u>\$ 38,856,000</u>	<u>\$ 124,383,404</u>
Total Revenues	\$ 17,347,000	\$ 188,444,031
Total Expenses	11,741,000	176,093,572
Net Increase (Decrease) in Net Assets	<u>\$ 5,606,000</u>	<u>\$ 12,350,459</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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.

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 5.176% of fiscal year 2010-11 salaries subject to CalSTRS.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
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, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
DIRECT FEDERAL AWARDS			
U.S. Department Of Education:			
Student Financial Assistance Programs Cluster:			
Pell Grant	N/A	84.063	\$ 80,197,039
Supplemental Education Opportunity Grants	N/A	84.007	1,756,317
College Work Study	N/A	84.033	1,344,320
IRAQ Afghan Service Grant	N/A	84.408	4,857
Federal Direct Loans	N/A	84.268	<u>32,934,514</u>
Subtotal for Student Financial Assistance Programs Cluster			116,237,047
TRIO Student Support Services	N/A	84.042A	<u>234,713</u>
Total U.S. Department of Education			<u>116,471,760</u>
Other Direct Programs:			
U.S. Department of Labor:			
ARRA High Growth & Emerging Industries	N/A	17.275	2,088,915
U.S. Department Of Health And Human Services:			
ARRA Health Information Technology	N/A	93.721	2,045,082
U.S. National Science Foundation:			
Education and Human Resources	N/A	47.076	132,042
CPATH II Community Building Grant	N/A	47.070	23,611
U.S. Department of Veteran Affairs:			
Vocational and Educational Counseling for Service Members and Veterans	N/A	64.125	25,761
U.S. Corporation for National and Community Service:			
AmeriCorps (National Service Trust Grant)	N/A	94.006	<u>393,931</u>
Total Other Direct Programs			<u>4,709,342</u>
FEDERAL AWARD PASSED THROUGH OTHER AGENCIES			
U.S. Department Of Education:			
Passed Through California Department of Education (CDE):			
Vocational and Applied Technology Education Act - Title IC - Basic Grants	12-C01-028	84.048	3,026,553
Vocational and Applied Technology Education Act - Title IC - Basic Grants	11-C01-028	84.048	35,136
Vocational and Applied Technology Education Act - Title IC - Basic Grants	12-112-230	84.243	<u>193,641</u>
Subtotal Vocational and Applied Technology Education Act passed through CDE			<u>3,255,330</u>
Passed Through Butte Community College (BCC):			
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	2,210
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	6,224
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	1,580
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	<u>9,837</u>
Subtotal Vocational and Applied Technology Education Act passed through BCC			<u>19,851</u>
Total Vocational and Applied Technology Education Act			<u>3,275,181</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2013

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	208,887
College to Career	28119	84.126	197,681
Subtotal Vocational Rehabilitation			<u>406,568</u>
Total U.S. Department of Education			<u>3,681,749</u>
U.S. Small Business Administration:			
Passed Through CSU Chico Research Foundation:			
Small Business Development 2010	Sub 10-006	59.037	48,266
Small Business Development 2011	N/A	59.037	221,974
Subtotal CSU Chico Research Foundation			<u>270,240</u>
Passed Through California Community Colleges Chancellor's Office:			
State Trade Export Promotion	F11-0069	59.061	300,691
State Trade Export Promotion	F12-0055	59.061	26,100
Subtotal State Trade Export Promotion			<u>326,791</u>
Total U.S. Small Business Administration			<u>597,031</u>
U.S. Department Of Health And Human Services:			
Passed Through San Francisco Community College:			
California Early Childhood Mentor Program	CN1100123	93.575	<u>12,981</u>
Passed Through Yosemite Community College:			
Child Care Access	12-13-7694	93.575	20,846
Child Care Access	12-13-4821	93.575	12,038
Child Care Access	12-13-601403	93.575	8,750
Child Care Access	12-13-4114	93.575	12,975
Child Care Access	2013-D7694	93.575	35,798
Child Care Access	2013-CIP-C0-L 1	93.575	17,898
Child Care Access	2013S CIP RC1	93.575	17,898
Child Care Access	CAPEXP2013	93.575	17,897
Child Care Access	12-13-D7694	93.575	7,650
Child Care Access	12-13-D4821	93.575	5,400
Child Care Access	12-13-D601403	93.575	3,150
Child Care Access	12-13-D4114	93.575	5,850
Subtotal Child Care Access			<u>166,150</u>
Independent Living Program	N/A	93.674	22,500
Passed Through California Community College Chancellor's Office:			
Vocational and Applied Technology Education Act -			
Title IVE - Foster Care Program	N/A	93.658	176,164
Temporary Assistance for Needy Families	N/A	93.558	472,972
Passed Through County of Sacramento Human Assistance:			
Temporary Assistance for Needy Families - Work Study	N/A	93.558	<u>542,449</u>
Total U.S. Department of Health and Human Services			<u>1,393,216</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
U.S. Department Of Labor:			
Passed Through California Department of Education: Workforce Investment Act - Nursing Program	09-110-06	17.258	<u>126,544</u>
Passed Through Sacramento Employment Training Agency (SETA):			
WIA Green Innovative Support	098476GIC	17.258	172,953
WIA Adult Program	098102AVF	17.258	39,041
WIA Regional Nurse Support	09846EEP	17.258	59,663
WIA CalTRANS Federal Highway Administration	09846EEP	17.258	<u>34,920</u>
Subtotal WIA Program passed through SETA			<u>306,577</u>
Total Workforce Investment Act Cluster			<u>433,121</u>
Passed Through SETA:			
ARRA WIA Adult Program - Clean Energy Workforce Training Program	098102PAT(1)	17.275	19,767
ARRA WIA State Energy Sector Program	098102PAT	17.275	<u>22,606</u>
Subtotal WIA Clean Energy passed through SETA			<u>42,373</u>
Total U.S. Department of Labor			<u>475,494</u>
U.S. Department Of Energy:			
Passed Through Sacramento Employment Training Agency:			
ARRA State Energy Program - Clean Energy Workforce Program	098102AVF	81.041	13,014
Passed Through Sacramento Municipal Utility District:			
Smart Grid Investment Grant	N/A	81.122	<u>296,246</u>
Total U.S. Department of Energy			<u>309,260</u>
U.S. Department Of Agriculture:			
Passed Through California Department of Education:			
Child Care Food Program	1502-3A	10.558	<u>97,229</u>
U.S. Department of Commerce:			
Passed Through Foundation for California Community Colleges:			
ARRA Broadband Technology Opportunities Program	06-43-B10541	11.557	<u>328,599</u>
U.S. Department of Transportation-Federal Highway Administration:			
Passed Through Sacramento Employment Training Agency:			
NEI Students	N/A	20.215	<u>22,680</u>
Total Expenditures of Federal Awards			<u>\$ 128,086,360</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2013

	Program Entitlements			Program Revenues			Program Expenditures	
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue		Total
STATE PROGRAMS								
CATEGORICAL APPORTIONMENTS								
Extended Opportunity Program & Services	\$ 2,730,988	\$ -	\$ 2,730,988	\$ 2,730,988	\$ -	\$ -	\$ 2,730,988	\$ 2,730,988
Cooperative Agency Resource Education	438,741	-	438,741	436,943	-	50	436,893	436,893
Disabled Students Program & Services	3,047,325	-	3,047,325	3,047,325	-	281	3,047,044	3,047,044
Board Financial Assistance	2,944,402	5,495	2,949,897	2,949,897	-	52,304	2,897,593	2,897,593
Economic Development	1,327,724	496,586	1,824,310	1,007,165	582,681	175,446	1,414,400	1,414,400
Career Technical Education	1,490,296	2,641,211	4,131,507	3,390,324	166,461	1,690,447	1,866,338	1,866,338
Equal Employment Opportunity	18,473	19,086	37,559	37,559	-	23,556	14,003	14,003
Matriculation	2,205,523	-	2,205,523	2,205,523	-	-	2,205,523	2,205,523
CalWORKs	1,484,417	(1,071)	1,483,346	1,482,418	-	-	1,482,418	1,482,418
Subtotal	<u>15,687,889</u>	<u>3,161,307</u>	<u>18,849,196</u>	<u>17,288,142</u>	<u>749,142</u>	<u>1,942,084</u>	<u>16,095,200</u>	<u>16,095,200</u>
CATEGORICAL PROGRAM ALLOWANCES								
Cal Grant	4,325,000	-	4,325,000	4,482,435	5,228	138,419	4,349,244	4,349,244
CDF Tax Bailout	180,826	-	180,826	180,826	-	-	180,826	180,826
CDC Food Program	7,080	-	7,080	(7,735)	12,790	-	5,055	5,055
CDC California Child Care	1,007,859	-	1,007,859	931,397	76,462	-	1,007,859	1,007,859
Capital Outlay Projects	4,165,215	-	4,165,215	3,279,519	527,064	-	3,806,583	3,806,583
Foster Care Program	176,991	-	176,991	87,629	88,538	-	176,167	176,167
First Five Sacramento Commission - Lactation	-	3,321	3,321	-	3,321	-	3,321	3,321
Other	1,151,519	886,337	2,037,856	1,394,726	394,474	885,295	903,905	903,905
Subtotal	<u>11,014,490</u>	<u>889,658</u>	<u>11,904,148</u>	<u>10,348,797</u>	<u>1,107,877</u>	<u>1,023,714</u>	<u>10,432,960</u>	<u>10,432,960</u>
Total State Programs	<u>26,702,379</u>	<u>4,050,965</u>	<u>30,753,344</u>	<u>27,636,939</u>	<u>1,857,019</u>	<u>2,965,798</u>	<u>26,528,160</u>	<u>26,528,160</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2013

STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligible for 2012-13 State apportionment reported to the State of California as of June 30, 2013, are summarized below:

<u>Categories</u>	<u>Reported Data</u>	<u>Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	0.00	0.00	0.00
2. Credit	3,006.78	0.00	3,006.78
B. Summer Intersession (Summer 2013 – Prior to July 1, 2013)			
1. Noncredit	0.00	0.00	0.00
2. Credit	56.04	0.00	56.04
C. Primary Terms (Exclusive of Summer Intersession):			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	37,194.64	0.00	37,194.64
(b) Daily Census Contact Hours	2,230.59	0.00	2,230.59
2. Actual Hours of Attendance Courses:			
(a) Noncredit	28.43	0.00	28.43
(b) Credit	2,396.74	0.00	2,396.74
3. Alternative Attendance Accounting Procedure:			
(a) Weekly Census Procedure Hours	4,113.85	0.00	4,113.85
(b) Daily Census Procedure Hours	1,353.23	0.00	1,353.23
(c) Noncredit Independent Study/Distance Education Courses	0.00	0.00	0.00
D. Total FTES	50,380.30	0.00	50,380.30
<u>Supplemental Information</u>			
E. In-Service Training Courses FTES	1,112.95	0.00	1,112.95
H. Basic Skills Courses and Immigrant Education			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,653.67	0.00	3,653.67
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	0.00	0.00	0.00
Centers FTES			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,706.41	0.00	3,706.41

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2013

	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
ACADEMIC SALARIES							
Instructional Salaries							
Contract or Regular	1100	\$ 64,802,521	\$ -	\$ 64,802,521	\$ 64,802,521	\$ -	\$ 64,802,521
Other	1300	31,313,757	-	31,313,757	31,313,757	-	31,313,757
Total Instructional Salaries		<u>96,116,278</u>	<u>-</u>	<u>96,116,278</u>	<u>96,116,278</u>	<u>-</u>	<u>96,116,278</u>
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	25,258,065	-	25,258,065
Other	1400	-	-	-	1,925,121	-	1,925,121
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,183,186</u>	<u>-</u>	<u>27,183,186</u>
Total Academic Salaries		<u>96,116,278</u>	<u>-</u>	<u>96,116,278</u>	<u>123,299,464</u>	<u>-</u>	<u>123,299,464</u>
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	44,566,651	-	44,566,651
Other	2300	-	-	-	3,656,583	-	3,656,583
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>48,223,234</u>	<u>-</u>	<u>48,223,234</u>
Instructional Aides							
Regular Status	2200	4,880,929	-	4,880,929	4,880,929	-	4,880,929
Other	2400	523,871	-	523,871	523,871	-	523,871
Total Instructional Aides		<u>5,404,800</u>	<u>-</u>	<u>5,404,800</u>	<u>5,404,800</u>	<u>-</u>	<u>5,404,800</u>
Total Classified Salaries		<u>5,404,800</u>	<u>-</u>	<u>5,404,800</u>	<u>53,628,034</u>	<u>-</u>	<u>53,628,034</u>
Employee Benefits	3000	26,971,357	-	26,971,357	54,127,712	-	54,127,712
Supplies and Materials	4000	-	-	-	3,937,069	-	3,937,069
Other Operating Expenses	5000	1,708,115	-	1,708,115	21,026,145	-	21,026,145
Equipment Replacement	6420	-	-	-	-	-	-
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		<u>130,200,550</u>	<u>-</u>	<u>130,200,550</u>	<u>256,018,424</u>	<u>-</u>	<u>256,018,424</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION (CONTINUED) YEAR ENDED JUNE 30, 2013

	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
EXCLUSIONS							
Activities to Exclude:							
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	-	-	-	-	-	-
Objects to Exclude:							
Rents and Leases	5060	-	-	-	916,023	-	916,023
Lottery Expenditures							
Academic Salaries	1000	1,812,440	-	1,812,440	2,325,026	-	2,325,026
Classified Salaries	2000	92,038	-	92,038	937,291	-	937,291
Employee Benefits	3000	336,084	-	336,084	575,702	-	575,702
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	-	-	-	-	-	-
		\$ 2,240,562	\$ -	\$ 2,240,562	\$ 4,754,042	\$ -	\$ 4,754,042
TOTAL EXCLUSIONS							
Total for ECS 84362, 50% Law		127,959,988		127,959,988	251,264,382		251,264,382
Percent of CEE (Instructional Salary Cost / Total CEE)		51%		51%	100%		100%
50% of Current Expense of Education					125,632,190		125,632,190

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2013

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$38,547,050
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	<u>\$38,547,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>38,547,050</u>
Total Expenditures for EPA*		<u>\$38,547,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>38,547,050</u>
Revenues less Expenditures					<u>\$ -</u>

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

LOS RIOS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

AUDITOR'S COMMENTS

No adjustments were made to the District's Fund Financial Statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2013

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2013, 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 Education Protection Account Expenditures to District accounting records

This reconciliation of Education Protection Account Expenditures shows the annual general apportionment and the expenditures the District applied toward the apportionment.

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

This schedule provides the information necessary to reconcile the fund balances and net positions 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 POSITION - 2013 ACTUAL TO 2014 BUDGET - GENERAL FUND YEAR ENDED JUNE 30, 2013

	<u>2012-13 Actual</u>	<u>2013-14 Adopted Budget</u>	<u>Change Increase (decrease)</u>
REVENUE			
Federal	\$ 12,406,225	\$ 9,090,842	\$ (3,315,383)
State	203,808,798	216,622,072	12,813,274
Local	85,209,196	84,552,360	(656,836)
Other	<u>14,087</u>	<u>10,219</u>	<u>(3,868)</u>
Total revenue	<u>301,438,306</u>	<u>310,275,493</u>	<u>8,837,187</u>
EXPENDITURES			
Certificated salaries	127,941,649	132,707,256	4,765,607
Classified salaries	69,375,182	70,974,575	1,599,393
Employee benefits	59,134,067	61,762,458	2,628,391
Books, supplies, and materials	6,353,566	8,832,083	2,478,517
Contract services and operating expenditures	29,979,022	38,651,433	8,672,411
Auxiliary activities/payments to students	103,656	25,000	(78,656)
Capital outlay	<u>8,548,533</u>	<u>9,867,707</u>	<u>1,319,174</u>
Total expenditures	<u>301,435,675</u>	<u>322,820,512</u>	<u>21,384,837</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,631	(12,545,019)	(12,547,650)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	6,665,720	4,831,019	(1,834,701)
Operating transfer out	<u>(8,582,759)</u>	<u>(8,544,947)</u>	<u>37,812</u>
Total other financing sources (uses)	<u>(1,917,039)</u>	<u>(3,713,928)</u>	<u>(1,796,889)</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,914,408)	(16,258,947)	(14,344,539)
NET POSITION - BEGINNING OF YEAR	<u>36,929,550</u>	<u>35,015,142</u>	<u>(1,914,408)</u>
NET POSITION - END OF YEAR	<u>\$ 35,015,142</u>	<u>\$ 18,756,195</u>	<u>\$ (16,258,947)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND JUNE 30, 2013

	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			
ASSETS											
Current Assets:											
Cash and cash equivalents	\$ 9,574,056	\$ 299,590	\$ 3,107,236	\$ 78,838,913	\$ 19,087,908	\$ 2,295,077	\$ 9,045,895	\$ 380,626	\$ 122,629,301	\$ (39,200,714)	\$ 83,428,587
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	77,792,401	77,792,401
Short-term investments	-	-	222,299	-	-	-	-	268,713	491,012	134	491,146
Accounts receivable, net	71,396,528	89,252	184,609	15,545,202	140,485	795,402	-	493	88,151,971	139,545	88,291,516
Interest receivable	(52,438)	693	1,500	250,268	71,971	1,526	20,590	163	294,273	(130,737)	163,536
Inventory	-	-	-	-	-	1,884,154	-	-	1,884,154	-	1,884,154
Prepaid expenditures	3,466,144	-	-	-	-	156,203	203,617	-	3,825,964	-	3,825,964
Due from other funds	9,588,752	211,232	-	23,965,302	188,036	29,413	27,513	-	34,010,248	(34,010,248)	-
Total Current Assets	<u>93,973,042</u>	<u>600,767</u>	<u>3,515,644</u>	<u>118,599,685</u>	<u>19,488,400</u>	<u>5,161,775</u>	<u>9,297,615</u>	<u>649,995</u>	<u>251,286,923</u>	<u>4,590,381</u>	<u>255,877,304</u>
Noncurrent Assets:											
Long-term investments	-	-	-	6,264	594,596	8,229,262	-	-	8,830,122	(598,611)	8,231,511
Restricted investments	-	-	-	80,001,619	19,745,451	-	-	-	99,747,070	(37,999,250)	61,747,820
Capital assets, net	-	-	-	-	-	763,502	-	-	763,502	613,762,031	614,525,533
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,007,883</u>	<u>20,340,047</u>	<u>8,992,764</u>	<u>-</u>	<u>-</u>	<u>109,340,694</u>	<u>575,164,170</u>	<u>684,504,864</u>
TOTAL ASSETS	<u>\$ 93,973,042</u>	<u>\$ 600,767</u>	<u>\$ 3,515,644</u>	<u>\$ 198,607,568</u>	<u>\$ 39,828,447</u>	<u>\$ 14,154,539</u>	<u>\$ 9,297,615</u>	<u>\$ 649,995</u>	<u>\$ 360,627,617</u>	<u>\$ 579,754,551</u>	<u>\$ 940,382,168</u>
Deferred Outflow of Resources:											
Deferred amount on refunding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,041,213	\$ 7,041,213
LIABILITIES											
Current Liabilities:											
Accounts payable	9,289,746	43,086	12,485	7,328,884	-	(124,466)	298,376	5,646	16,853,757	(3,568,576)	13,285,181
Accrued salaries and related benefits	12,361,725	38,709	-	-	-	72,455	-	-	12,472,889	-	12,472,889
Interest payable	-	-	143	-	7,038,523	-	-	-	7,038,666	-	7,038,666
Unearned revenue	12,411,521	-	138,419	-	-	381,713	-	-	12,931,653	(1,992)	12,929,661
Compensated absences	339,698	113,143	-	-	15,846,685	167,357	19,546	-	16,486,429	(11,344,100)	5,142,329
Other accrued liabilities	270,922	-	-	-	1,100	23,400	465,256	-	760,678	164,968	925,646
Amounts held on behalf of others	580,231	-	-	-	-	171,124	-	644,276	1,395,631	-	1,395,631
Long-term debt	-	-	-	-	-	-	-	-	-	10,674,739	10,674,739
Due to other funds	23,704,057	93,840	2,113,099	6,352,979	278,739	1,241,202	251,682	73	34,035,671	(34,035,671)	-
Total Current Liabilities	<u>58,957,900</u>	<u>288,778</u>	<u>2,264,146</u>	<u>13,681,863</u>	<u>23,165,047</u>	<u>1,932,785</u>	<u>1,034,860</u>	<u>649,995</u>	<u>101,975,374</u>	<u>(38,110,632)</u>	<u>63,864,742</u>
Noncurrent Liabilities:											
Compensated absences	-	-	-	-	-	-	-	-	-	11,344,100	11,344,100
Claims liability	-	-	-	-	-	-	8,262,755	-	8,262,755	-	8,262,755
Post-employment benefits	-	-	-	-	-	-	-	-	-	812,133	812,133
Long-term debt	-	-	-	-	-	-	-	-	-	399,692,877	399,692,877
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,262,755</u>	<u>-</u>	<u>8,262,755</u>	<u>411,849,110</u>	<u>420,111,865</u>
TOTAL LIABILITIES	<u>58,957,900</u>	<u>288,778</u>	<u>2,264,146</u>	<u>13,681,863</u>	<u>23,165,047</u>	<u>1,932,785</u>	<u>9,297,615</u>	<u>649,995</u>	<u>110,238,129</u>	<u>373,738,478</u>	<u>483,976,607</u>
TOTAL FUND BALANCE/NET POSITION	<u>35,015,142</u>	<u>311,989</u>	<u>1,251,498</u>	<u>184,925,705</u>	<u>16,663,400</u>	<u>12,221,754</u>	<u>-</u>	<u>-</u>	<u>250,389,488</u>	<u>213,057,286</u>	<u>463,446,774</u>
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION	<u>\$ 93,973,042</u>	<u>\$ 600,767</u>	<u>\$ 3,515,644</u>	<u>\$ 198,607,568</u>	<u>\$ 39,828,447</u>	<u>\$ 14,154,539</u>	<u>\$ 9,297,615</u>	<u>\$ 649,995</u>	<u>\$ 360,627,617</u>	<u>\$ 586,795,764</u>	<u>\$ 947,423,381</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION BY FUND YEAR ENDED JUNE 30, 2013

	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		
REVENUES:										
Federal	\$ 12,406,225	\$ 97,229	\$ 115,296,668	\$ 296,246	\$ -	\$ -	\$ -	\$ 128,096,368	\$ -	\$ 128,096,368
State	203,808,798	1,193,740	4,349,244	3,806,584	-	-	-	213,158,366	-	213,158,366
Local	84,936,291	66,175	185,466	21,880,056	29,750,387	821,093	-	137,639,468	(21,457,587)	116,181,881
Operation	191,438	-	-	-	-	18,318,463	6,522,633	25,032,534	(6,522,633)	18,509,901
Interest and other	95,554	1,819	4,403	80,773,827	308,345	16,392	76,538	81,276,878	(80,595,821)	681,057
Total revenues	<u>301,438,306</u>	<u>1,358,963</u>	<u>119,835,781</u>	<u>106,756,713</u>	<u>30,058,732</u>	<u>19,155,948</u>	<u>6,599,171</u>	<u>585,203,614</u>	<u>(108,576,041)</u>	<u>476,627,573</u>
EXPENDITURES/EXPENSES:										
Certificated salaries	127,941,649	-	-	-	-	-	-	127,941,649	-	127,941,649
Classified salaries	69,375,182	1,200,104	-	-	-	3,180,149	146,353	73,901,788	-	73,901,788
Employee benefits	59,134,067	592,103	-	-	-	922,492	56,709	60,705,371	(1,833,126)	58,872,245
Books, supplies and materials	6,353,566	107,282	11,489	4,997	-	163,718	-	6,641,052	40,788	6,681,840
Cost of goods sold	-	-	-	-	-	10,642,606	-	10,642,606	-	10,642,606
Contract services and operating expenses	29,979,022	10,203	168,676	36,960	-	3,591,123	8,132,384	41,918,368	(4,647,236)	37,271,132
Capital outlay	8,548,533	-	2,218	99,498,697	-	5,266	-	108,054,714	(108,054,714)	-
Depreciation	-	-	-	-	-	179,512	-	179,512	24,968,405	25,147,917
Auxiliary activities	103,656	-	121,848,380	17,458	33,824,616	-	-	155,794,110	(27,302,088)	128,492,022
Total expenditures/expenses	<u>301,435,675</u>	<u>1,909,692</u>	<u>122,030,763</u>	<u>99,558,112</u>	<u>33,824,616</u>	<u>18,684,866</u>	<u>8,335,446</u>	<u>585,779,170</u>	<u>(116,827,971)</u>	<u>468,951,199</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>2,631</u>	<u>(550,729)</u>	<u>(2,194,982)</u>	<u>7,198,601</u>	<u>(3,765,884)</u>	<u>471,082</u>	<u>(1,736,275)</u>	<u>(575,556)</u>	<u>8,251,930</u>	<u>7,676,374</u>
OTHER FINANCING SOURCES (USES):										
Operating transfers in	6,665,720	687,718	2,312,026	5,368,091	508,036	263,637	-	15,805,228	(15,805,228)	-
Operating transfers out	(8,582,759)	-	(4,008)	(6,082,959)	(75,000)	(1,060,502)	-	(15,805,228)	15,805,228	-
Total other financing sources (uses)	<u>(1,917,039)</u>	<u>687,718</u>	<u>2,308,018</u>	<u>(714,868)</u>	<u>433,036</u>	<u>(796,865)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,914,408)</u>	<u>136,989</u>	<u>113,036</u>	<u>6,483,733</u>	<u>(3,332,848)</u>	<u>(325,783)</u>	<u>(1,736,275)</u>	<u>(575,556)</u>	<u>8,251,930</u>	<u>7,676,374</u>
FUND BALANCE/NET POSITION, July 1, 2012	36,929,550	175,000	1,138,462	178,441,972	19,996,248	12,547,537	1,736,275	250,965,044	194,182,498	445,147,542
Cummulative effect of change in accounting principles	-	-	-	-	-	-	-	-	<u>10,622,858</u>	<u>10,622,858</u>
FUND BALANCE/NET POSITION, June 30, 2013	<u>\$ 35,015,142</u>	<u>\$ 311,989</u>	<u>\$ 1,251,498</u>	<u>\$ 184,925,705</u>	<u>\$ 16,663,400</u>	<u>\$ 12,221,754</u>	<u>\$ -</u>	<u>\$ 250,389,488</u>	<u>\$ 213,057,286</u>	<u>\$ 463,446,774</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS
YEAR ENDED JUNE 30, 2013

The District's total computational 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>
2012-13	\$ 4,790	\$ 49,875	\$ 238,878,830

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>
2011-12	\$ 20,272,816	\$ 19,927,413	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:

2012-13 assessed valuation	\$ 141,501,079,781
Less: Unsecured and Utility Assessment	<u>6,204,795,519</u>
Secured Assessed Valuation	<u>\$ 135,296,284,262</u>

Property Owner	<u>2012-13 Assessed Valuation</u>
1. Intel Corporation	\$ 537,946,318
2. Buzz Oates LLC	\$ 279,397,256
3. Aerojet General Corp.	\$ 247,454,270
4. Target Corporation	\$ 214,401,889
5. Hines VAF II Sacramento Properties LP	\$ 213,864,974
6. Hines Sacramento Wells Fargo Center	\$ 206,543,650
7. Donahue Schriber Realty Group LP	\$ 204,063,453
8. Wal Mart Real Estate Bsns Trust	\$ 187,891,625
9. Harsch Investment Properties LLC	\$ 156,424,218
10. Campbell Soup Supply Co. LLC	\$ 147,021,893

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***

Independent Auditor's Report

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

We have audited, 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, 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, 2013, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of Report

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



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

November 25, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Los Rios Community College District's (the District's) compliance with the types of compliance requirements described in the 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, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

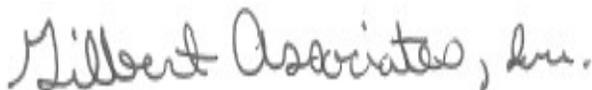
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

November 25, 2013

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**

Report on State Compliance

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, 2013.

Management's Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for District's state programs based on our audit of the types of compliance requirements referred to above. 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 and the *Contracted District Audit Manual* 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 direct and material effect on the programs identified in the below schedule 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 on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we have selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

- Salaries of Classroom Instructors (50% Law)
- Apportionment for Instructional Service Agreements/Contracts

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

- 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
- 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)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2013. 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 13-1.

District's Response to Finding

The District's response to the compliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response, and accordingly, we express no opinion on it.

Gilbert Associates, Inc.

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

November 25, 2013

FINDINGS AND RECOMMENDATIONS SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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, 84.408, 84.268	Student Financial Assistance Programs Cluster
17.275	ARRA High Growth & Emerging Industries, WIA Clean Energy Workforce Training Program, and WIA State Emergency Sector Program
93.721	ARRA Health Information Technology
84.126	Vocational Rehabilitation

Dollar threshold used to distinguish between Type A and Type B programs: \$355,479

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, 2013

State Awards

Internal control over State programs:

Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u> None Reported

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

<u> ✓ </u> Yes	<u> </u> No
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Type of auditor's report issued on compliance for state programs:

Unmodified

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2013

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

13-1 – EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) and COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria:

According to California Code of Regulations, Title 5, Division 6, Chapter 9, Subchapter 2, Article 1, § 56208 and the CARE Program Guidelines issued by the California Community Colleges Chancellor's Office, the EOPS Advisory Committee shall meet at least once during each academic year and the CARE Advisory Committee shall meet twice during each academic year.

Condition:

Folsom Lake College and American River College EOPS/CARE advisory committees did not meet during the academic year. Cosumnes River College did not hold the two required CARE meetings; they held one meeting for EOPS/CARE.

Questioned Costs:

Unknown - California Community College's Chancellor's Office to determine.

Context:

EOPS/CARE advisory committees did not organize or hold the required number of EOPS/CARE meetings during the 2012/13 academic year.

Effect:

The purpose of the advisory committees is to assist the District in developing and maintaining the EOPS/CARE programs. This could be compromised if the advisory committees do not meet as required.

Recommendation:

Coordinators should ensure that the advisory committees are holding the required number of meetings for the EOPS/CARE programs.

District Corrective Action Plan:

The Associate Vice Chancellor, Student Services will work with the Vice Presidents of Student Services at the colleges to ensure the required number of EOPS/CARE advisory committee meetings are held each academic year.

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

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

<u>Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
12-1 TO BE ARRANGED HOURS 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.	Implemented	
12-2 INTERNAL CONTROL OVER STATE COMPLIANCE FOR GENERAL APPORTIONMENT 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.	Implemented	