

**LOS RIOS COMMUNITY
COLLEGE DISTRICT**

SACRAMENTO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2014

LOS RIOS COMMUNITY COLLEGE DISTRICT

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LOS RIOS COMMUNITY COLLEGE DISTRICT

ORGANIZATION YEAR ENDED JUNE 30, 2014

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. 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>
Robert Jones	President	2014
Dustin Johnson	Vice President	2014
Kay Albiani	Member	2016
Pamela Haynes	Member	2016
Deborah Ortiz	Member	2014
Ruth Scribner	Member	2016
Vacant	Member	2016
Ricardo Lemus	Student Trustee	2014

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

Dr. Pamela Walker..... Interim 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, 2014, 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, 2014, 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.

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. 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 December 3, 2014, 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.

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

December 3, 2014

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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 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 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 (CCCCO) has adopted the Business Type Activity (BTA) model as the standard for all colleges to use and these statements are prepared accordingly.

FINANCIAL HIGHLIGHTS

While Proposition 30 did not provide full relief to the reductions of previous 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 annual deferral of apportionment payments totaling \$961 million. In 2012-13, the first installment to pay down the deferral was made, lowering the deferral to \$801 million. During 2013-14, the deferral was further reduced by \$208.5 to \$592.5 million. Because of this, the need for inter-fund borrowing during the year has been greatly reduced.

Los Rios closed the year recognizing \$9.5 million more in its general purpose revenue entitlement compared to 2012-13; however, the District's revenue entitlement was still \$8.1 million less than 2008-09. Additionally, the District closed the records projecting a 0.5% funding shortfall of \$1.3 million. The statewide deficit was higher than 0.5%, but the California Community Colleges Chancellor's Office projected additional revenues from property taxes and redevelopment agencies (RDAs) would be recorded before the final calculation is issued in January 2015.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

There was a Cost of Living Adjustment (COLA) in 2013-14 of 1.57%. This was the first COLA since fiscal year 2007-08. The increase, which statutorily should have been funded for the years 2008-09 through 2012-13, totaled 15.8%. For Los Rios, the cumulative foregone revenue through 2012-13 totaled over \$138 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 through attrition and were strategic 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, additional reductions and utilization of one-time resources was also necessary to support cost increases. The 2013-14 year was a status quo year in terms of service levels. This enabled the District to direct funding received for growth and COLA toward the deficit between resources and on-going costs. The District was able to close the year without the use of reserves to support on-going costs. However, it did spend \$4.0 million in reserves from its capital outlay fund to provide employees with a one-time salary schedule improvement. Even with that use, there is still \$10 million remaining of the \$26 million in capital outlay project fund reserves designated by the Governing Board as available to support the general fund during the budget crisis.

Enrollment fees were \$46 per unit, the same as in the prior fiscal year. The enacted budget for 2014-2015 retains the \$46 per unit rate.

The District continued to improve its facilities in 2013-14. Construction projects continued throughout the District, funded primarily through voter approved bond Measures A and M.

	Authorized	Issued to Date	Expended to Date
2002 Measure A	\$265.0 million	\$237.5 million	\$235.5 million
2008 Measure M	\$475.0 million	\$190.0 million	\$139.8 million

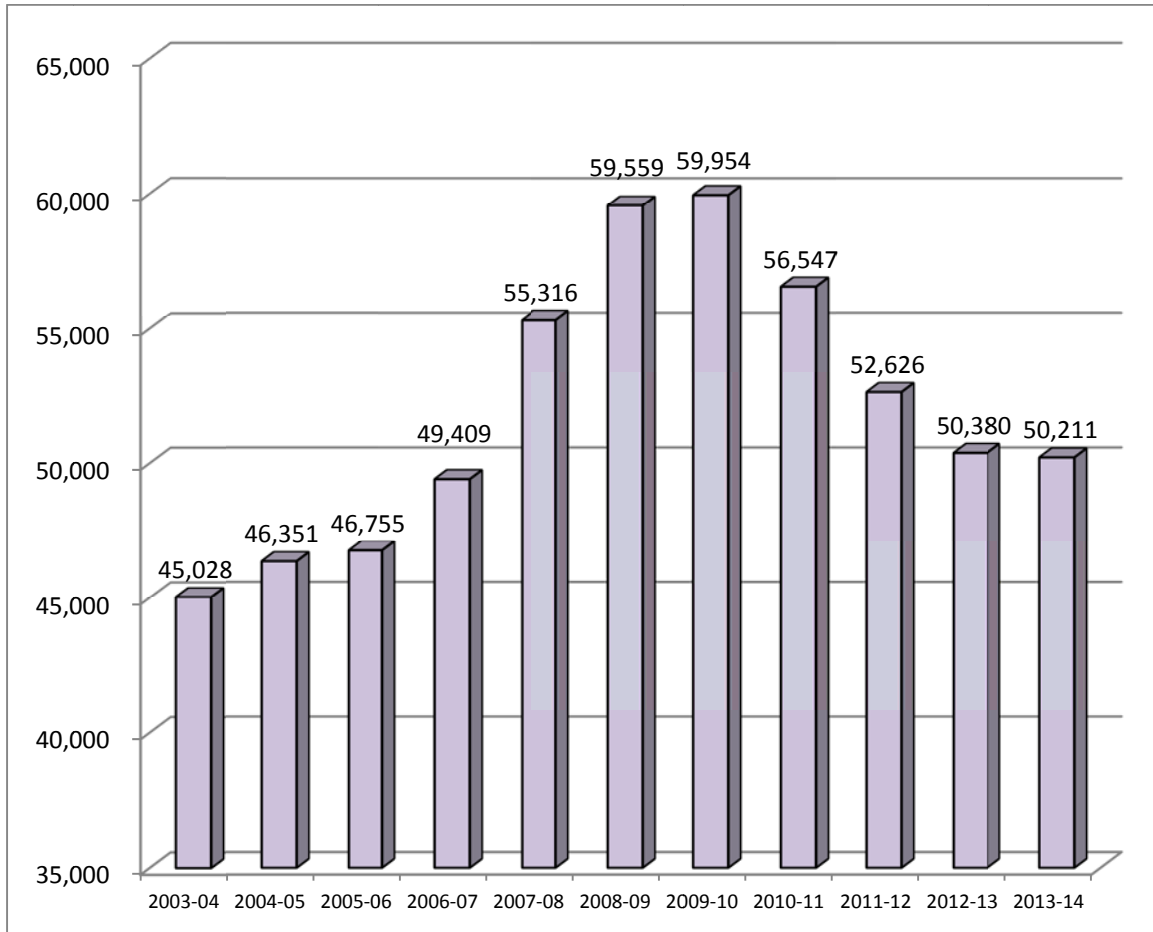
ATTENDANCE

The District's attendance stayed level, as planned. The District achieved its growth funding primarily through reducing its over cap FTES (prior year unfunded FTES). Fall 2013 student headcount was 77,269 compared to 90,545 for Fall 2009, a reduction of 14.7% over the last four years.

LOS RIOS COMMUNITY COLLEGE DISTRICT

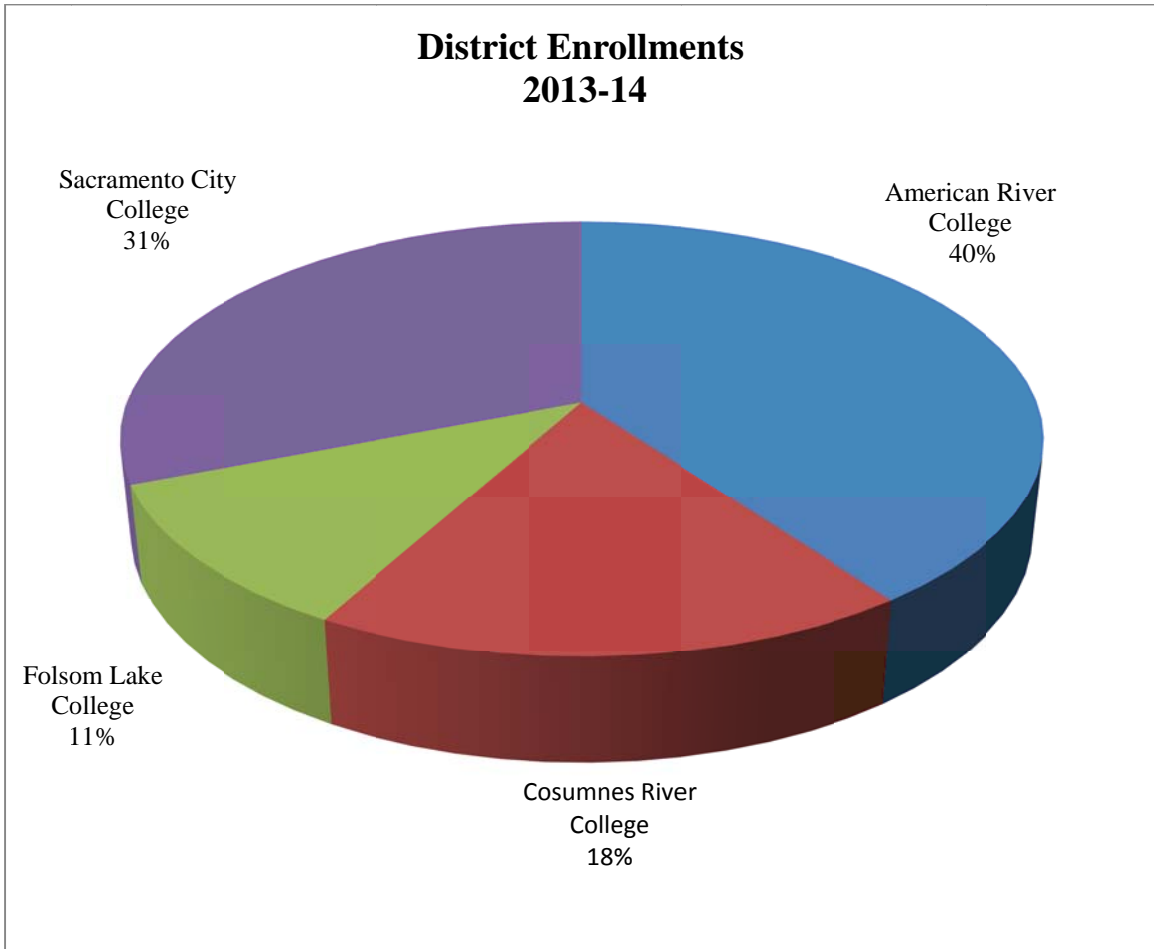
MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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



LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014



LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

STATEMENT OF NET POSITION

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 132,436,245	\$ 83,428,587
Restricted cash and cash equivalents	75,682,266	77,792,401
Short-term investments	492,403	491,146
Receivables	70,737,333	107,354,858
Inventory, prepaid, and other assets	15,444,623	5,710,118
Total Current Assets	<u>294,792,870</u>	<u>274,777,110</u>
Noncurrent Assets:		
Restricted investments	24,622,204	61,747,820
Long-term investments	7,398,876	8,231,511
Capital assets, net	641,473,099	614,525,533
Total Noncurrent Assets	<u>673,494,179</u>	<u>684,504,864</u>
TOTAL ASSETS	<u>968,287,049</u>	<u>959,281,974</u>
Deferred Outflows of Resources:		
Deferred amount on refunding	6,339,117	7,041,213
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	39,894,823	32,796,736
Unearned revenue	13,396,615	12,929,661
Other current liabilities (incl. TRANs)	19,658,021	18,138,345
Total Current Liabilities	<u>72,949,459</u>	<u>63,864,742</u>
Noncurrent Liabilities:		
Long-term liabilities, noncurrent portion	407,662,496	420,111,865
TOTAL LIABILITIES	<u>480,611,955</u>	<u>483,976,607</u>
NET POSITION		
Net investment in capital assets	313,762,504	316,174,151
Restricted	64,992,824	45,250,315
Unrestricted		
Reserve for noncash assets	5,741,626	5,867,341
Contractual obligations	13,908,325	14,560,973
Designated for capital and other projects	65,053,157	68,203,277
General fund shortfall reserve	10,033,946	14,008,946
Unrestricted/general contingency reserve	20,521,829	18,281,577
Total Unrestricted	<u>115,258,883</u>	<u>120,922,114</u>
TOTAL NET POSITION	<u>\$ 494,014,211</u>	<u>\$ 482,346,580</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Balance Sheet Highlights

- Current assets increased by \$19.9 million or 7% over the prior year. Most of the increase is due to the lessened effect of deferrals on the unrestricted general fund cash as opposed to the prior year. The remaining increase of \$9.8 million represents the excess of the value of assets set aside for Other Post-Employment Benefits (OPEB) vs. the actuarial accrued liability.
- Noncurrent Assets decreased by \$10.9 million or 2%. Restricted investments decreased by \$37.1 million from expending \$27 million in proceeds from the 2002 Series E and 2008 Series B general obligation bonds designated for capital projects as well as maturing investments being transferred to restricted cash. This decrease was offset by a \$27 million increase in capital assets. The majority of the construction funding came from the liquidation of restricted investments from the proceeds of general obligation bonds.
- Current liabilities increased by \$9.2 million or 14%. Most of the increase, \$8.4 million, was due to the increase in accrued salaries and benefits related to the increase in the retroactive salary adjustments over the prior year.
- Noncurrent liabilities decreased by \$12.4 million (3%) primarily due to the payment of principal on outstanding debt. No new bonds were issued during the fiscal year.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2013
Operating Revenues:		
Net tuition and fees	\$ 24,031,681	\$ 24,409,330
Grants, contracts, and other designated revenues, noncapital	33,247,677	36,416,685
Auxiliary enterprise sales	19,266,024	19,093,999
Other operating income (payments)	2,528,258	2,393,542
Total Operating Revenue	<u>79,073,640</u>	<u>82,313,556</u>
Total Operating Expenses	343,094,575	340,397,054
Operating Income (Loss)	<u>(264,020,935)</u>	<u>(258,083,498)</u>
Nonoperating Revenues (Expenses):		
State apportionments, noncapital	150,544,463	140,268,214
Education protection account	37,920,228	38,547,050
Local property taxes	53,572,042	49,571,912
Lottery and other revenue	10,614,322	8,917,706
Investment income (expense)	316,498	153,613
Other nonoperating revenues (expenses)	(2,259,007)	(584,216)
Total Nonoperating Revenues (Expenses)	<u>250,708,546</u>	<u>236,874,279</u>
Income Before Other Revenues, Expenses, Gains, or Losses		
	(13,312,389)	(21,209,219)
Apportionment and property taxes, capital	30,597,348	33,302,782
Interest income (expense), capital	(6,643,955)	(4,723,650)
Grants and gifts, capital	1,105,544	5,621,099
Other income (expense)	(78,917)	(1,503,824)
Increase (Decrease) in Net Assets	<u>11,667,631</u>	<u>11,487,188</u>
Net Position - Beginning of Year	463,446,774	455,770,400
Prior Period Adjustment	18,899,806	15,088,992
Net Position - Beginning of Year Adjusted	<u>482,346,580</u>	<u>470,859,392</u>
Net Position - End of Year	<u>\$ 494,014,211</u>	<u>\$ 482,346,580</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Revenue and Expense Highlights

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

- Grants, contracts and other designated revenues decreased \$3.2 million (9%), primarily due to the end of programs funded by the American Recovery and Reinvestment Act (\$3.9 million). This decline was partially offset by increases in various state and local grants.
- Total Non-operating Revenues increased by \$13.7 million or 6% over the prior year mostly due to increased apportionment funds over the prior year of \$10.5 million.
- Apportionment and property taxes, capital decreased \$2.7 million (8%) primarily due to a decrease of \$3.6 million in revenues from State Capital Outlay Bond funds for community college construction. This decrease was mostly offset by an increase of \$0.7 million in property taxes for the payment of outstanding bond debt.
- Interest expense, capital increased by \$3.2 million (61%) due to the addition of 2002 Series E and 2008 Series B debt service payments over the prior year.
- Grants and gifts, capital decreased by \$4.5 million (80%) primarily due to the recognition in the prior year of two major donations (a Federal Express B727 aircraft valued at \$2.5 million and \$1.6 million of Andy Warhol prints). The 2012-13 fiscal year was exceptional in terms of donations received by the District.
- Other income (expense) increased \$2.6 million (240%) due to a \$1.4 million decrease in bond issuance costs, which were incurred in the prior year. There was also a \$1.3 million gain from the sale of property located in Elk Grove.
- Prior period adjustment was a correction to recognize prior year property taxes collected that were underreported to us by the Sacramento County Treasurer for servicing the debt of the District's general obligation bonds. The result of this correction increased the July 1, 2012 beginning net position by \$15 million, with an additional \$3.8 million affecting the July 1, 2013 beginning net position.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

OPERATING EXPENSES

	2014	2013
Operating Expenses (by Natural Classification)		
Compensation	\$ 210,421,606	\$ 201,843,437
Employee benefits	57,398,292	55,303,669
Other post employment benefits (OPEB)	(3,771,350)	3,568,576
Supplies, materials, other operating expenses, and services	44,470,814	46,871,830
Utilities	7,751,635	7,661,625
Depreciation	26,823,578	25,147,917
Total Operating Expenses	<u>\$ 343,094,575</u>	<u>\$ 340,397,054</u>

Operating Expense Highlights

- Compensation increased by \$8.6 million (4%) due to continuing and one-time salary schedule improvements.
- Employee benefits increased by \$2.1 million (4%) due to the benefits associated with the continuing and one-time salary schedule improvements and changes to employer's contribution to health and welfare benefits.
- Other post-employment benefits (OPEB) represents the actuarially determined Annual Required Contribution (ARC). The normal cost for the current fiscal year was \$3.6 million. The actuarial value of assets was greater than the actuarial accrued liability; this excess was amortized during the fiscal year and offset the normal cost which is equal to the ARC.
- Depreciation increased \$1.7 million (7%) due to newly constructed assets placed into service during the current year.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CASH FLOW

	2014	2013
Statement of Cash Flows		
Cash Provided (Used) By:		
Operating activities	\$ (238,321,401)	\$ (223,945,654)
Noncapital financing activities	282,335,419	237,111,080
Subtotal operating and noncapital financing activities	44,014,018	13,165,426
Capital and related financing activities	(34,926,540)	(8,397,131)
Investment activities	37,810,045	(37,767,385)
Net Increase (Decrease) in Cash	46,897,523	(32,999,090)
Cash - Beginning of the fiscal year	161,220,988	194,220,078
Cash - End of the fiscal year	<u>\$ 208,118,511</u>	<u>\$ 161,220,988</u>

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 increase in state apportionment receipts over the prior year.
- Capital and related financing activities primarily represent capital expenditures and financing to support those activities. The decrease in cash of \$26.5 million is primarily due to prior year issued bond proceeds spent on capital improvements, without any new bond debt issued in the current fiscal year.
- Investing activities primarily represent the investing of available bond proceeds for capital expenditures. The change from the prior year represents the sale of investments needed for current year capital expenses.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The Governor signed the 2014-15 State Budget Act on June 20, 2014. The budget has \$27 million more in appropriations over 2013-14 for Los Rios, including funding to restore access (class sections), a cost of living adjustment (COLA), funding for Student Success and Student Equity programs, as well as a large one-time allocation for Physical Plant and Instructional Support. Additionally, the budget provides for significant progress towards paying down the deferrals, reducing the debt from \$592 million to about \$95 million at the end of the budget year. Lastly, the budget includes increases in both employer and employee contributions for CalSTRS to address the unfunded liability for the pension system that covers faculty and most administrative positions.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Governor Brown's budget for 2014-15 signals his continuing commitment to California Community Colleges and, to a degree, to reshaping the mission and expectations of our colleges. These expectations provide many challenges for the system, yet provide exciting opportunities and a focus on improving outcomes for our students.

For Los Rios, the 2014-15 year should be favorable. The general fund reserve is above the State recommended level for a prudent level. Enrollment is somewhat flat but still positive and the District anticipates it will qualify for its growth entitlement. The increased revenues from the COLA and growth will be used toward offsetting 2014-15 cost increases and further reducing the gap between on-going resources and allocations. For 2014-15, the District's adopted budget did not require reserves to achieve a balanced budget. Any use of reserves would likely be discretionary as was the case in 2013-14.

However, although the budget picture is improving it is not robust. The COLA is only 0.85% or \$2.1 million for the District. The increase in healthcare premium costs alone is projected at \$2.2 million thereby consuming the COLA for just this one item. Restoration of access (growth) is provided at 2.75% Statewide. The District hopes to achieve its growth entitlement by expanding its instructional program only 2%. The Student Success and Support Program (SSSP) received a \$170 million augmentation. Of that \$100 million is dedicated to the core program and \$70 million is directed toward a new initiative, Student Equity, targeted toward reducing achievement gaps amongst various student demographic groups. Los Rios will receive a total of \$8.3 million over 2013-14 for SSSP and Student Equity.

The District will receive \$6.6 million in one-time funding for Physical Plant and Instructional Support. The allocation will be split equally between the two uses to maintain facilities and update instructional equipment and library materials.

In an effort to provide some relief to districts faced with increasing pension costs for both CalSTRS and CalPERS, the enacted budget includes one-time funds for paying past mandate cost claims. The District should receive \$2.2 million.

Beyond 2014-15, there is concern because the tax increases supporting the revenues generated by the Educational Protection Act (EPA) are temporary. A significant share of community college base funding is now funded by the EPA. The sales tax increase expires at the end of 2016 and the personal income tax increase in 2018. The State will need to consider options soon to either replace these revenues with a different source or extend the rate increases.

Another concern is the shift in funding sources. In 2008-09, the State general fund provided 66% of the dollars supporting California Community Colleges. In 2013-14, State general fund was only providing 40% through the shifting of funding to EPA, property taxes and enrollment fees. This change is important as those funding sources are less predictable or temporary. The concern is funding shortfalls may become more even more prevalent than in past years which adds complexity to planning.

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 for modernization and growth. 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The one issue that is most pressing is the unfunded liabilities for CalSTRS and CalPERS. While the legislative intent is to fully fund CalSTRS in thirty years, no continuing funds were provided to support the increased contributions for both employers and employees. Additionally, CalPERS employer rates are increasing. The District projects that in five years, the increase in employer contribution for both systems will be \$13.8 million more than 2013-14. Funding pension liabilities is critical. However, without an on-going appropriation to support the cost increases, districts throughout the State including Los Rios, will face several difficult years as funds that would have been used to support program expansion and other cost increases will need to be directed toward the increase in pension costs.

LOS RIOS COMMUNITY COLLEGE DISTRICT

BALANCE SHEET JUNE 30, 2014

	Primary Institution	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,436,245	\$ 1,001,594
Restricted cash and cash equivalents	75,682,266	-
Short-term investments	492,403	-
Accounts receivable, net	66,636,226	183,695
Interest receivable	51,107	-
Lease receivable	4,050,000	-
Inventory	1,965,306	-
Prepaid expenses and other assets	3,687,852	50
Other postemployment benefit asset	9,791,465	-
Total current assets	294,792,870	1,185,339
Noncurrent assets:		
Long-term investments	7,398,876	11,938,007
Restricted investments	24,622,204	-
Pledged receivable, net	-	167,065
Nondepreciable capital assets	81,184,873	-
Depreciable capital assets, net	560,288,226	-
Total noncurrent assets	673,494,179	12,105,072
TOTAL ASSETS	968,287,049	13,290,411
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	6,339,117	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 974,626,166	\$ 13,290,411
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,422,985	\$ 1,132,486
Accrued salaries and related benefits	20,756,487	-
Interest payable	8,715,351	-
Unearned revenue	13,396,615	-
Compensated absences	4,933,178	-
Other accrued liabilities	924,662	-
Amounts held in trust for others	1,477,094	490
Long-term debt due within one year	12,323,087	-
Total current liabilities	72,949,459	1,132,976
Noncurrent liabilities:		
Compensated absences	11,488,531	-
Claims liability	8,804,175	-
Long-term debt	387,369,790	-
Total noncurrent liabilities	407,662,496	-
TOTAL LIABILITIES	480,611,955	1,132,976
NET POSITION		
Net investment in capital assets	313,762,504	-
Restricted for:		
Nonexpendable:		
Scholarships	-	4,646,972
Expendable:		
Scholarships and loans	657,660	5,904,892
Capital projects	50,488,881	-
Other special purposes	13,846,283	-
Unrestricted	115,258,883	1,605,571
TOTAL NET POSITION	494,014,211	12,157,435
TOTAL LIABILITIES AND NET POSITION	\$ 974,626,166	\$ 13,290,411

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, 2014

	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees (gross)	\$ 66,234,907	\$ -
Less: scholarship discounts and allowances	(42,203,226)	-
Net tuition and fees	24,031,681	-
Grants and contracts, noncapital:		
Federal	8,361,327	-
State	20,103,783	-
Local	4,782,567	-
Auxiliary enterprise sales and charges	19,266,024	-
Other operating income	2,528,258	-
TOTAL OPERATING REVENUES	79,073,640	-
OPERATING EXPENSES		
Salaries	210,421,606	38,949
Employee benefits	53,626,942	1,494
Supplies, materials, and other operating expenses and services	44,443,211	1,003,459
Utilities	7,751,635	-
Depreciation	26,823,578	-
Payments to students	27,603	460,318
TOTAL OPERATING EXPENSES	343,094,575	1,504,220
OPERATING LOSS	(264,020,935)	(1,504,220)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	150,544,463	-
Education protection account	37,920,228	-
Local property taxes	53,572,042	-
Lottery, state taxes and other revenues	10,614,322	-
Interest income, noncapital	311,183	208,410
Investment income (expense), noncapital	50,780	951,696
Interest expense	(45,465)	-
Financial aid revenues, federal	108,422,474	-
Financial aid revenues, state	4,970,664	-
Financial aid expenses	(116,016,994)	-
Other non-operating revenues - grants/gifts, non-capital	334,209	1,584,546
Other non-operating revenues - grants/gifts, misc.	30,640	-
TOTAL NON-OPERATING REVENUES	250,708,546	2,744,652
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(13,312,389)	1,240,432
CAPITAL ACTIVITIES		
State apportionments, capital	364,647	-
Local property taxes and revenues, capital	30,232,701	-
Interest income, capital	194,082	-
Investment expense, capital	114,380	-
Interest expense on capital asset-related debt	(8,271,480)	-
Debt service costs	(78,917)	-
Grants and gifts, capital	1,105,544	-
Gain from disposal of capital assets	1,319,063	-
INCREASE IN NET POSITION	11,667,631	1,240,432
NET POSITION -- BEGINNING OF YEAR, as previously reported	463,446,774	10,917,003
Prior period adjustment	18,899,806	-
NET POSITION -- BEGINNING OF YEAR, as restated	482,346,580	10,917,003
NET POSITION -- END OF YEAR	\$ 494,014,211	\$ 12,157,435

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 23,819,768	\$ -
Federal grants and contracts	8,786,125	-
State grants and contracts	21,756,945	-
Local grants and contracts	4,027,118	-
Payments to suppliers	(52,052,423)	(460,318)
Payments to/on behalf of employees	(266,298,034)	(40,006)
Payments to/on behalf of students	(27,603)	-
Auxiliary enterprise sales and charges	19,141,667	-
Other receipts (payments)	<u>2,525,036</u>	<u>(1,246,921)</u>
Net cash used by operating activities	<u>(238,321,401)</u>	<u>(1,747,245)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	181,061,097	-
Education protection account receipts	37,920,228	-
Local property and state taxes, lottery and other state receipts	65,394,843	-
Gifts and grants for other than capital purposes	364,849	1,635,732
Financial aid, scholarship, loan trust receipts - federal	108,306,380	-
Financial aid, scholarship, loan trust receipts - state	4,910,065	-
Financial aid expenses	(116,016,994)	-
Student organization agency receipts	81,612	-
Interest on noncapital investments	257,301	-
Investment income on noncapital investments	101,560	12
Interest paid on non-capital debt	<u>(45,522)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>282,335,419</u>	<u>1,635,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt service costs	(78,767)	-
State apportionments for capital purposes	12,700,725	-
Capital grants and gifts received	1,009,544	-
Purchases of capital assets	(52,564,172)	-
Proceeds from sale of capital assets	411,294	-
Principal paid on capital debt	(7,345,000)	-
Interest paid on capital debt	(16,347,249)	-
Investment income on capital investments	228,760	-
Interest received on capital investments	342,182	-
Local property taxes and other revenues for capital	<u>26,716,143</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(34,926,540)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	61,832,081	3,360,588
Interest and dividends on investments	18,211	209,174
Investment fees	-	-
Purchases of investments	<u>(24,040,247)</u>	<u>(3,479,256)</u>
Net cash provided by investing activities	<u>37,810,045</u>	<u>90,506</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,897,523	(20,995)
CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR	<u>161,220,988</u>	<u>1,022,589</u>
CASH AND CASH EQUIVALENTS -- END OF YEAR	<u>\$ 208,118,511</u>	<u>\$ 1,001,594</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, 2014

	Primary Institution	Foundation
RECONCILIATION TO BALANCE SHEET:		
Cash and cash equivalents	\$ 132,436,245	\$ 1,001,594
Restricted cash and cash equivalents	<u>75,682,266</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 208,118,511</u>	<u>\$ 1,001,594</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (264,020,935)	\$ (1,504,220)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	26,823,578	-
Changes in assets and liabilities:		
Accounts receivable, net	122,847	115,339
Inventory	(81,152)	-
Other assets	138,112	11,538
Other postemployment benefit asset	(9,791,465)	-
Accounts payable	550,889	(366,385)
Accrued salaries and related benefits	8,283,598	437
Unearned revenue	531,263	-
Compensated absences	(64,720)	-
Other accrued liabilities	(1,134)	-
Other postemployment benefit liability	(812,133)	-
Other liabilities	<u>(149)</u>	<u>(3,954)</u>
Net cash used by operating activities:	<u>\$ (238,321,401)</u>	<u>\$ (1,747,245)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, 2014

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury (County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits; U.S. government securities; State registered warrants, notes, or bonds; State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The value of the District's position in the pool is the fair value of the pool shares. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2014, the fair value of the County pool was 100.08% 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 the 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, 2014, the fair value of LAIF was 100.029875% of the carrying value. The total fair value amount invested by all public agencies in LAIF at June 30, 2014 was \$21,119,834,294. LAIF is a part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2014, were \$64,870,214,443. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2014, totaling \$1,205,901,000, approximately 1.86% of the total portfolio. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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 \$160,372 at June 30, 2014.

Lease Receivable – A contract with a buyer for the sale of real property owned by the District, in which the sales price is payable in installments over more than one year.

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

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

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, 2014 was \$7,124,868.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, which 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.

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 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 investment 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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*.

Tuition and Fees, less Scholarship Discounts and Allowances – 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.

General Apportionment, Property Tax, Enrollment Fees and Education Protection Account (Computational Revenue) – 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, 2014

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

Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker. Coverage in excess of self-insurance limits for property damage and liability up to \$500,000,000 and \$25,000,000, 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.

Future Accounting Pronouncements – In June of 2012, the GASB issued GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers*, with required implementation for the District during the year ended June 30, 2015. 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.

Prior Period Adjustment – During the year ended June 30, 2014, the District made a correction to recognize prior year property taxes collections that were underreported to the District by the Sacramento County Treasurer for servicing the debt of the District's general obligation bonds. As a result of this correction, beginning net position as of July 1, 2013 and accounts receivable were increased by \$18,899,806.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2014, are classified in the accompanying balance sheet as follows:

Cash and cash equivalents	\$ 132,436,245
Restricted cash and cash equivalents	75,682,266
Short-term investments	492,403
Long-term investments	7,398,876
Restricted investments	<u>24,622,204</u>
Total cash, cash equivalents and investments	<u>\$ 240,631,994</u>

The District's cash, cash equivalents and investments as of June 30, 2014, consist of the following:

	<u>Fair Value</u>
Petty cash/cash awaiting deposit	<u>\$ 2,633,211</u>
Deposits with financial institutions	<u>4,574,029</u>
Pooled cash, cash equivalents and investments:	
County Treasury Pooled Investment Fund	199,426,301
Local Agency Investment Fund	7,891,279
Money Market Mutual Fund	<u>1,251</u>
Subtotal pooled cash, cash equivalents and investments	<u>207,318,831</u>
Investment securities:	
U.S. government agency securities:	
Federal Farm Credit Bank	579,649
Federal Home Loan Bank	<u>25,526,274</u>
Subtotal investment securities	<u>26,105,923</u>
Total cash, cash equivalents and investments	<u>\$ 240,631,994</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, 2014, 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	\$ 6,927,426

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 11% of its investments in the Federal Home Loan Bank.

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, 2014

The schedule of maturities at June 30, 2014, 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>>5</u>
County Treasury Pooled Investment Fund	\$ 199,426,301	\$ 199,426,301	\$ -	\$ -
Local Agency Investment Fund	7,891,279	7,891,279	-	-
Money Market Mutual Fund	1,251	1,251	-	-
Federal Farm Credit Bank	579,649	-	579,649	-
Federal Home Loan Bank	<u>25,526,274</u>	<u>25,526,274</u>	-	-
Totals	<u>\$ 233,424,754</u>	<u>\$ 232,845,105</u>	<u>\$ 579,649</u>	<u>\$ -</u>

The U.S. government agency securities (Federal Farm Credit Bank and Federal Home Loan Bank) 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, 2014:

Federal grants and contracts	\$ 1,911,002
State grants and contracts	1,054,969
Local grants and contracts	1,024,026
State apportionment - noncapital	34,303,531
State apportionment - capital	3,209,074
Local property taxes	22,556,849
Auxiliaries	1,038,164
Tuition and fees	584,611
Other	<u>954,000</u>
Total	<u>\$ 66,636,226</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions / Transfers	Deductions / Transfers	Balance June 30, 2014
Nondepreciated capital assets:				
Land	\$ 10,512,904	\$ 4,990	\$ (3,116,997)	\$ 7,400,897
Construction in progress	70,081,484	40,706,575	(38,697,583)	72,090,476
Collectables	1,597,500	96,000	-	1,693,500
Total nondepreciated capital assets	82,191,888	40,807,565	(41,814,580)	81,184,873
Depreciated capital assets:				
Site improvements	50,447,836	12,691,713	-	63,139,549
Buildings and improvements	602,469,893	34,105,529	-	636,575,422
Equipment	138,595,239	7,543,989	(570,353)	145,568,875
Library books	6,570,270	462,162	(824,244)	6,208,188
Total depreciated capital assets	798,083,238	54,803,393	(1,394,597)	851,492,034
Less: accumulated depreciation	(265,749,593)	(26,823,578)	1,369,363	(291,203,808)
Total assets being depreciated	532,333,645	27,979,815	(25,234)	560,288,226
Total capital assets - net	\$ 614,525,533	\$ 68,787,380	\$ (41,839,814)	\$ 641,473,099

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Payments and Reductions	Balance June 30, 2014	Current Portion
General obligation bonds	\$ 377,395,000	\$ -	\$ (7,125,000)	\$ 370,270,000	\$ 8,990,000
Bond issuance premiums	27,060,353	-	(3,328,497)	23,731,856	3,101,845
Certificates of participation	5,890,000	-	(220,000)	5,670,000	230,000
Certificates of participation issuance premiums	22,263	-	(1,242)	21,021	1,242
Total	\$ 410,367,616	\$ -	\$ (10,674,739)	\$ 399,692,877	\$ 12,323,087

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

BOND DEBT

The outstanding general obligation bond debt as of June 30, 2014, is as follows:

	<u>Original Issue</u>	<u>Refunding Issuance</u>	<u>Outstanding Balance</u>
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	-	2,285,000
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	-	49,825,000
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, 2014

	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	18,125,000
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	60,040,000
Total Measure A Bonds	<u>237,500,000</u>	<u>124,140,000</u>	<u>190,015,000</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	-	120,255,000
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>180,255,000</u>
Total Measure A & M Bonds	<u>\$ 427,500,000</u>	<u>\$ 124,140,000</u>	<u>\$ 370,270,000</u>

The outstanding general obligation bond debts mature as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 8,990,000	\$ 17,331,538	\$ 26,321,538
2016	9,485,000	16,943,407	26,428,407
2017	10,115,000	16,541,407	26,656,407
2018	10,795,000	16,115,532	26,910,532
2019	11,540,000	15,660,457	27,200,457
2020-2024	71,285,000	69,449,032	140,734,032
2025-2029	99,660,000	48,830,588	148,490,588
2030-2034	92,825,000	24,310,462	117,135,462
2035-2039	55,575,000	4,281,806	59,856,806
Total	<u>\$ 370,270,000</u>	<u>\$ 229,464,229</u>	<u>\$ 599,734,229</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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>
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	275,000	210,429	485,429
2020-2024	1,555,000	865,881	2,420,881
2025-2029	1,935,000	486,559	2,421,559
2030-2031	<u>925,000</u>	<u>64,750</u>	<u>989,750</u>
Total	<u>\$ 5,670,000</u>	<u>\$ 2,569,435</u>	<u>\$ 8,239,435</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. 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 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, 2014

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, 2014, was \$354,089. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payments</u>
2015	\$ 373,221
2016	236,502
2017	196,572
2018	201,098
2019	<u>209,755</u>
Total	<u>\$ 1,217,148</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, 2014.

These facilities 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, 2014

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 2013-14 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, 2014, 2013, and 2012, were \$9,225,951, \$9,134,316 and \$8,393,726 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 2013-14 was 11.442% 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, 2014, 2013, and 2012, were \$7,809,809, \$7,589,804 and \$7,388,226, 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, 2014

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, 2014, was \$240,812. 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 National Association of Insurance Commissioners (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, 2014

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 865 retirees receiving benefits and 2,128 active participants, of which 1,456 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 \$225 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. During the year ended June 30, 2014, the District contributed \$6,832,248 to the Trust. The value of the accumulated assets in the Trust for the year ended June 30, 2014, was \$101,001,887.

Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level % of projected payroll over 1 year
Interest rate assumption	5.00%
Every second year increase in benefit cap	9.00%
Normal cost	\$ 3,558,220
Amortization of Unfunded Actuarial Accrued Liability (UAAL) due to asset and experience	(7,329,570)
Annual required contribution (ARC)	(3,771,350)
Contributions to the Trust	(6,832,248)
Decrease in OPEB obligation	(10,603,598)
Net OPEB liability at July 1, 2013	812,133
Net OPEB asset at June 30, 2014	\$ (9,791,465)

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2014, and the preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost (Credit)</u>	<u>Actual Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
June 30, 2012	\$ (1,621,305)	\$ 1,209,247	N/A	\$ (2,756,443)
June 30, 2013	\$ 3,568,576	\$ -	0.00%	\$ 812,133
June 30, 2014	\$ (3,771,350)	\$ 6,832,248	N/A	\$ (9,791,465)

Funded Status and Funding Progress

The District's funding progress for other postemployment benefits as of the most recent valuation, July 1, 2013, 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>
7/1/13	\$ 86,190,930	\$ 79,210,387	\$ (6,980,543)	109%	\$ 159,864,885	-4.4%

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, 2014

Condensed Trust Financial Statements

The financial statements at June 30, 2014, for the Trust are presented below. The Trust does not issue a separate report.

Trust Statement of Net Position (Unaudited)

	<u>June 30, 2014</u>
Assets:	
Cash and cash equivalents	\$ 1,980,230
Long-term investments	<u>99,021,657</u>
Total assets	101,001,887
Accounts payable	<u>70,100</u>
Net position	<u>\$ 100,931,787</u>

Trust Statement of Changes in Net Position (Unaudited)

	<u>June 30, 2014</u>
Additions:	
Contributions	\$ 6,832,248
Investment income:	
Net realized and unrealized gains on investments	8,818,990
Dividends and interest	<u>1,455,263</u>
Total investment income	<u>10,274,253</u>
Total additions to net assets	<u>17,106,501</u>
Deductions:	
Benefit expenses	(2,090,756)
Administrative expenses	<u>(274,888)</u>
Total deductions from net position	<u>(2,365,644)</u>
Increase in net position	14,740,857
Net position – beginning of year	<u>86,190,930</u>
Net position – end of year	<u>\$ 100,931,787</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, 2014

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 \$24,590,977. 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, 2014

The District is self-insured for liability and property damage on the first \$250,000 and \$100,000 of each claim, respectively. The District is self-insured for workers' compensation claims on the first \$500,000 of each claim. Estimated losses and changes in prior-year reserve balances are expensed in the current period. Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker. Coverage in excess of self-insurance limits for property damage and liability up to \$500,000,000 and \$25,000,000, 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 \$8,804,175 for liability, property, and workers' compensation claims. The liabilities for dental totaling \$460,382 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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Unpaid claims and claim adjustments – beginning of year	\$ 8,262,755	\$ 8,444,525
Incurred claims and claims adjustments:		
Provision for insured events of the current year	1,762,230	1,309,902
Increases (decreases) in provision for insured events of prior years	<u>(79,844)</u>	<u>(301,303)</u>
Total incurred claims and claim adjustments	<u>1,682,386</u>	<u>1,008,599</u>
Less payments:		
Claims and claim adjustments attributable to insured events of the current years	258,430	300,264
Claims and claim adjustments attributable to insured events of prior years	<u>882,536</u>	<u>890,105</u>
Total payments	<u>1,140,966</u>	<u>1,190,369</u>
Total unpaid claims and claim adjustments – end of year	<u>\$ 8,804,175</u>	<u>\$ 8,262,755</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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 \$1,000,000 with ASCIP
Excess Insurance: \$1,000,001 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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

	<u>June 30, 2013</u> <u>SELF</u>	<u>June 30, 2013</u> <u>ASCIP</u>
Total Assets	\$ 166,243,000	\$ 295,431,234
Total Liabilities	<u>129,963,000</u>	<u>160,686,476</u>
Net Position	<u>\$ 36,280,000</u>	<u>\$ 134,744,758</u>
Total Revenues	\$ 11,589,000	\$ 201,182,650
Total Expenses	<u>14,165,000</u>	<u>190,821,296</u>
Net Increase (Decrease) in Net Position	<u>\$ (2,576,000)</u>	<u>\$ 10,361,354</u>

NCRPSTA

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

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

	<u>June 30, 2014</u>
Total Assets	\$ 5,750,451
Total Liabilities	<u>(2,025,784)</u>
Net Position	<u>\$ 7,776,235</u>
Total Revenues	\$ 1,893,997
Total Expenses	<u>3,030,547</u>
Net Increase in Net Position	<u>\$ (1,136,550)</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 5.204% of fiscal year 2011-12 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, 2014

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)
7/1/09	\$ 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%
7/1/13	\$ 86,190,930	\$ 79,210,387	\$ (6,980,543)	109%	\$159,864,885	-4.4%

SUPPLEMENTARY INFORMATION SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

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	\$ 79,449,227
Supplemental Education Opportunity Grants	N/A	84.007	2,114,700
College Work Study	N/A	84.033	1,564,480
Federal Direct Loans	N/A	84.268	26,858,547
Subtotal for Student Financial Assistance Programs Cluster			109,986,954
TRIO Student Support Services	N/A	84.042A	207,115
Total U.S. Department of Education			110,194,069
Other Direct Programs:			
U.S. Department of Labor:			
ARRA High Growth & Emerging Industries	N/A	17.275	15,779
U.S. Department Of Health And Human Services:			
ARRA Health Information Technology	N/A	93.721	751,727
U.S. National Science Foundation			
CPATH II Community Building Grant	N/A	47.070	1,836
U.S Department of Veteran Affairs			
Vocational and Educational Counseling for Service Members and Veterans	N/A	64.125	29,127
U.S. Corporation for National and Community Service			
AmeriCorps (National Service Trust Grant)	N/A	94.006	265,235
Total Other Direct Programs			1,063,704
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	13-C01-028	84.048	2,732,045
Vocational and Applied Technology Education Act - Title IC - Basic Grants	12-C01-028	84.048	232,901
Vocational and Applied Technology Education Act - Title II - Tech Prep Education	13-112-230	84.243	171,435
Subtotal Vocational and Applied Technology Education Act passed through CDE			3,136,381
Passed Through Butte Community College (BCC):			
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	2,921
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	1,613
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	635
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	3,804
Subtotal Vocational and Applied Technology Education Act passed through BCC			8,973
Total Vocational and Applied Technology Education Act			3,145,354
Passed Through Department of Rehabilitation			
Workability III	28835	84.126A	211,465
College to Career	28119	84.126A	235,381
Subtotal Vocational Rehabilitation			446,846
Total U.S. Department of Education			3,592,200

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
U.S. Small Business Administration:			
Passed Through CSU Chico Research Foundation:			
Small Business Development 2014	Sub 14-007	59.037	132,488
Small Business Development 2013	Sub 13-005	59.037	18,797
Subtotal CSU Chico Research Foundation			<u>151,285</u>
Passed Through California Community Colleges Chancellor's Office:			
State Trade Export Promotion	F12-0055	59.061	101,652
State Trade Export Promotion	F11-0069	59.061	(235)
Subtotal California Community Colleges Chancellor's Office			<u>101,417</u>
Total U.S. Small Business Administration			<u>252,702</u>
U.S. Department Of Health And Human Services:			
Passed Through San Francisco Community College:			
California Early Childhood Mentor Program	CN130165	93.575	13,100
California Mentor Large Area Grant	CN110123	93.575	1,011
Subtotal San Francisco Community College			<u>14,111</u>
Passed Through Yosemite Community College:			
Child Care Access	13-14-7694	93.575	29,305
Child Care Access	13-14-4821	93.575	10,863
Child Care Access	13-14-601403	93.575	10,050
Child Care Access	13-14-4114	93.575	17,150
Child Care Access	2014-D7694	93.575	39,000
Subtotal Yosemite Community College			<u>106,368</u>
Passed Through California Community College Chancellor's Office:			
Vocational and Applied Technology Education Act - Title IVE - Foster Care Program	N/A	93.658	167,081
Temporary Assistance for Needy Families	N/A	93.558	444,906
Subtotal California Community College Chancellor's Office			<u>611,987</u>
Passed through Foundation for California Community Colleges:			
Independent Living Program	N/A	93.674	22,500
Passed Through County of Sacramento Human Assistance:			
Temporary Assistance for Needy Families - Work Study	DHA-CW-232-14	93.558	431,979
Total U.S. Department of Health and Human Services			<u>1,186,945</u>
U.S. Department Of Labor:			
Passed Through California Department of Education:			
Workforce Investment Act - Nursing Program	10-110-06	17.258	63,456
Passed Through Sacramento Employment Training Agency (SETA):			
WIA Adult Program	098216UTL	17.258	93,215
WIA Regional Nurse Support	09864EEP	17.258	12,726
WIA CalTRANS Federal Highway Administration	09864EEP	17.258	108,822
Subtotal WIA Program passed through SETA			<u>214,763</u>
Total U.S. Department of Labor			<u>278,219</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
U.S. Department Of Agriculture:			
Passed Through California Department of Education:			
Child Care Food Program	1502-3A	10.558	97,702
U.S. Department of Commerce:			
Passed Through Foundation for California Community Colleges:			
ARRA Broadband Technology Opportunities Program	06-43-B10541	11.557	106,116
ARRA Broadband Technology Opportunities Program	CC-026-10	11.557	3,854
Total U.S. Department of Commerce			109,970
Legislative Branch			
Passed through Open World Leadership:			
Family Health International	OWLC-1401	99.OWLC-1401	8,294
Total Expenditures of Federal Awards			\$116,783,805

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2014

	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	\$ 3,367,526	\$ -	\$ 3,367,526	\$ 3,367,526	\$ -	\$ 8,335	\$ 3,359,191	\$ 3,359,191
Cooperative Agency Resource Education	436,413	50	436,463	435,563	-	-	435,563	435,563
Disabled Students Program & Services	3,531,467	281	3,531,748	3,531,749	-	68,266	3,463,483	3,463,483
Board Financial Assistance	2,861,802	52,305	2,914,107	2,914,106	-	3,495	2,910,611	2,910,611
Economic Development	995,250	406,828	1,402,078	868,018	370,294	12,585	1,225,727	1,225,727
Career Technical Education	1,526,913	2,259,479	3,786,392	2,509,859	449,820	404,168	2,555,511	2,555,511
Equal Employment Opportunity	17,670	23,556	41,226	41,225	-	18,119	23,106	23,106
Matriculation	4,180,656	-	4,180,656	4,180,656	-	373,324	3,807,332	3,807,332
CalWORKs	1,716,553	-	1,716,553	1,716,553	907	16,951	1,700,509	1,700,509
State Instructional Materials Grant	607,613	-	607,613	607,613	-	456,679	150,934	150,934
AB86 Adult Education	633,189	-	633,189	316,595	-	316,595	-	-
Subtotal	<u>19,875,052</u>	<u>2,742,499</u>	<u>22,617,551</u>	<u>20,489,463</u>	<u>821,021</u>	<u>1,678,517</u>	<u>19,631,967</u>	<u>19,631,967</u>
CATEGORICAL PROGRAM ALLOWANCES								
Cal Grant	4,300,000	-	4,300,000	5,043,256	1,518	74,110	4,970,664	4,970,664
CDF Tax Bailout	180,826	-	180,826	180,826	-	-	180,826	180,826
CDC Food Program	6,080	-	6,080	(3,331)	8,362	-	5,031	5,031
CDC California Child Care	1,038,414	-	1,038,414	1,026,685	8,418	-	1,035,103	1,035,103
Capital Outlay Projects	2,562,076	-	2,562,076	2,285,300	-	1,704,469	580,831	580,831
Foster Care Program	164,713	2,904	167,617	(30,815)	197,895	-	167,080	167,080
California High School Exit Exam	30,000	-	30,000	7,954	18,916	-	26,870	26,870
First Five Sacramento Commission - Lactation	3,322	-	3,322	3,322	-	-	3,322	3,322
Other	931,200	1,158,480	2,089,680	1,855,475	217,928	802,949	1,270,454	1,270,454
Subtotal	<u>9,216,631</u>	<u>1,161,384</u>	<u>10,378,015</u>	<u>10,368,672</u>	<u>453,037</u>	<u>2,581,528</u>	<u>8,240,181</u>	<u>8,240,181</u>
Total State Programs	<u>\$ 29,091,683</u>	<u>\$ 3,903,883</u>	<u>\$ 32,995,566</u>	<u>\$ 30,858,135</u>	<u>\$ 1,274,058</u>	<u>\$ 4,260,045</u>	<u>\$ 27,872,148</u>	<u>\$ 27,872,148</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2014

STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligible for 2013-14 State apportionment reported to the State of California as of June 30, 2014, are summarized below:

<u>Categories</u>	<u>Reported Data</u>	<u>Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	0.00	0.00	0.00
2. Credit	3,044.58	0.00	3,044.58
B. Summer Intersession (Summer 2014 – Prior to July 1, 2014)			
1. Noncredit	0.00	0.00	0.00
2. Credit	511.28	0.00	511.28
C. Primary Terms (Exclusive of Summer Intersession):			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	35,997.46	0.00	35,997.46
(b) Daily Census Contact Hours	2,418.03	0.00	2,418.03
2. Actual Hours of Attendance Courses:			
(a) Noncredit	20.34	0.00	20.34
(b) Credit	2,465.18	0.00	2,465.18
3. Alternative Attendance Accounting Procedure:			
(a) Weekly Census Procedure Hours	4,338.91	0.00	4,338.91
(b) Daily Census Procedure Hours	1,415.25	0.00	1,415.25
(c) Noncredit Independent Study/Distance Education Courses	0.00	0.00	0.00
D. Total FTES	50,211.03	0.00	50,211.03
 <u>Supplemental Information</u>			
E. In-Service Training Courses FTES	1,456.38	0.00	1,456.38
H. Basic Skills Courses and Immigrant Education			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,605.52	0.00	3,605.52
 <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	3,536.76	0.00	3,536.76

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2014

	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	\$ 68,040,226	\$ -	\$ 68,040,226	\$ 68,040,226	\$ -	\$ 68,040,226
Other	1300	33,345,093	-	33,345,093	33,345,093	-	33,345,093
Total Instructional Salaries		<u>101,385,319</u>	<u>-</u>	<u>101,385,319</u>	<u>101,385,319</u>	<u>-</u>	<u>101,385,319</u>
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	25,308,081	-	25,308,081
Other	1400	-	-	-	1,712,882	-	1,712,882
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,020,963</u>	<u>-</u>	<u>27,020,963</u>
Total Academic Salaries		<u>101,385,319</u>	<u>-</u>	<u>101,385,319</u>	<u>128,406,282</u>	<u>-</u>	<u>128,406,282</u>
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	46,520,437	-	46,520,437
Other	2300	-	-	-	3,622,465	-	3,622,465
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>50,142,902</u>	<u>-</u>	<u>50,142,902</u>
Instructional Aides							
Regular Status	2200	5,047,680	-	5,047,680	5,047,680	-	5,047,680
Other	2400	557,762	-	557,762	557,762	-	557,762
Total Instructional Aides		<u>5,605,442</u>	<u>-</u>	<u>5,605,442</u>	<u>5,605,442</u>	<u>-</u>	<u>5,605,442</u>
Total Classified Salaries		<u>5,605,442</u>	<u>-</u>	<u>5,605,442</u>	<u>55,748,344</u>	<u>-</u>	<u>55,748,344</u>
Employee Benefits	3000	27,424,921	-	27,424,921	56,192,904	-	56,192,904
Supplies and Materials	4000	-	-	-	3,994,169	-	3,994,169
Other Operating Expenses	5000	2,753,081	-	2,753,081	21,101,774	-	21,101,774
Equipment Replacement	6420	-	-	-	-	-	-
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		<u>137,168,763</u>	<u>-</u>	<u>137,168,763</u>	<u>265,443,473</u>	<u>-</u>	<u>265,443,473</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION (CONTINUED) YEAR ENDED JUNE 30, 2014

	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	1,429,560	-	1,429,560	1,429,560	-	1,429,560
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,938,487	-	1,938,487
Objects to Exclude:							
Rents and Leases	5060	-	-	-	965,479	-	965,479
Lottery Expenditures							
Academic Salaries	1000	1,863,761	-	1,863,761	2,360,486	-	2,360,486
Classified Salaries	2000	92,791	-	92,791	953,858	-	953,858
Employee Benefits	3000	345,274	-	345,274	584,884	-	584,884
Supplies and Materials							
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							
Library Books	6300	-	-	-	-	-	-
Equipment Replacement							
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		\$ 3,731,386	\$ -	\$ 3,731,386	\$ 8,232,754	\$ -	\$ 8,232,754
Total for ECS 84362, 50% Law		133,437,377		133,437,377	257,210,719		257,210,719
Percent of CEE (Instructional Salary Cost / Total CEE)		52%		52%	100%		100%
50% of Current Expense of Education					128,605,360		128,605,360

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2014

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$37,920,228
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	<u>\$37,920,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>37,920,228</u>
Total Expenditures for EPA*		<u>\$37,920,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>37,920,228</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, 2014

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, 2014

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2014, 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 Workload Measures for State General Apportionment Annual (Actual) 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 - 2014 ACTUAL TO 2015 BUDGET - GENERAL FUND YEAR ENDED JUNE 30, 2014

	2013-14 Actual	2014-15 Adopted Budget	Change Increase (decrease)
REVENUE			
Federal	\$ 7,998,390	\$ 5,999,123	\$ (1,999,267)
State	217,745,652	240,838,653	23,093,001
Local	84,643,016	84,924,725	281,709
Other	5,425	10,219	4,794
Total revenue	<u>310,392,483</u>	<u>331,772,720</u>	<u>21,380,237</u>
EXPENDITURES			
Certificated salaries	133,648,954	140,235,878	6,586,924
Classified salaries	72,125,069	73,744,772	1,619,703
Employee benefits	61,437,609	63,811,526	2,373,917
Books, supplies, and materials	6,479,308	16,069,001	9,589,693
Contract services and operating expenditures	27,556,089	35,571,966	8,015,877
Auxiliary activities/payments to students	56,500	6,200	(50,300)
Capital outlay	4,999,153	10,729,570	5,730,417
Total expenditures	<u>306,302,682</u>	<u>340,168,913</u>	<u>33,866,231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,089,801</u>	<u>(8,396,193)</u>	<u>(12,485,994)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	6,669,907	1,132,889	(5,537,018)
Operating transfer out	<u>(10,738,951)</u>	<u>(11,073,640)</u>	<u>(334,689)</u>
Total other financing sources (uses)	<u>(4,069,044)</u>	<u>(9,940,751)</u>	<u>(5,871,707)</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	20,757	(18,336,944)	(18,357,701)
NET POSITION - BEGINNING OF YEAR	<u>35,015,142</u>	<u>35,035,899</u>	<u>20,757</u>
NET POSITION - END OF YEAR	<u>\$ 35,035,899</u>	<u>\$ 16,698,955</u>	<u>\$ (18,336,944)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND
JUNE 30, 2014

	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	\$ 23,039,443	\$ 650,641	\$ 3,087,634	\$ 129,457,297	\$ 19,025,912	\$ 1,349,747	\$ 8,634,501	\$ 424,885	\$ 185,670,060	\$ (53,233,815)	\$ 132,436,245
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	75,682,266	75,682,266
Short-term investments	-	-	222,880	-	-	-	-	269,377	492,257	146	492,403
Accounts receivable, net	39,377,526	16,779	297,993	3,243,309	22,556,849	1,049,652	-	7,652	66,549,760	86,466	66,636,226
Interest receivable	26,650	1,000	1,721	102,168	26,011	1,145	23,001	148	181,844	(130,737)	51,107
Notes receivable, net -- current portion	-	-	-	-	-	-	-	-	-	4,050,000	4,050,000
Inventory	-	-	-	-	-	1,965,306	-	-	1,965,306	-	1,965,306
Prepaid expenditures	3,334,984	-	-	-	-	109,777	243,091	-	3,687,852	-	3,687,852
Net OPEB asset	-	-	-	-	-	-	-	-	-	9,791,465	9,791,465
Due from other funds	9,948,995	123,607	-	1,088,236	870,714	25,909	834,769	-	12,892,230	(12,892,230)	-
Total Current Assets	75,727,598	792,027	3,610,228	133,891,010	42,479,486	4,501,536	9,735,362	702,062	271,439,309	23,353,561	294,792,870
Noncurrent Assets:											
Long-term investments	-	-	-	-	2,066,384	7,396,667	-	-	9,463,051	(2,064,175)	7,398,876
Restricted investments	-	-	-	24,038,990	20,801,825	-	-	-	44,840,815	(20,218,611)	24,622,204
Capital assets, net	-	-	-	-	-	652,487	-	-	652,487	640,820,612	641,473,099
Total Noncurrent Assets	-	-	-	24,038,990	22,868,209	8,049,154	-	-	54,956,353	618,537,826	673,494,179
TOTAL ASSETS	\$ 75,727,598	\$ 792,027	\$ 3,610,228	\$ 157,930,000	\$ 65,347,695	\$ 12,550,690	\$ 9,735,362	\$ 702,062	\$ 326,395,662	\$ 641,891,387	\$ 968,287,049
Deferred Outflow of Resources:											
Deferred amount on refunding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,339,117	\$ 6,339,117
LIABILITIES											
Current Liabilities:											
Accounts payable	\$ 6,079,823	\$ 1,934	\$ 13,182	\$ 4,457,219	\$ -	\$ (409,843)	\$ 276,503	\$ 4,167	\$ 10,422,985	\$ -	\$ 10,422,985
Accrued salaries and related benefits	20,559,049	73,198	405	-	-	113,393	10,442	-	20,756,487	-	20,756,487
Interest payable	-	-	86	-	8,715,265	-	-	-	8,715,351	-	8,715,351
Unearned revenue	11,037,940	-	74,110	1,946,325	-	340,232	-	-	13,398,607	(1,992)	13,396,615
Compensated absences	380,547	88,556	-	-	15,772,374	168,135	12,097	-	16,421,709	(11,488,531)	4,933,178
Other accrued liabilities	277,884	-	-	-	1,250	47,085	460,382	-	786,601	138,061	924,662
Amounts held on behalf of others	571,987	-	-	-	-	207,212	-	697,895	1,477,094	-	1,477,094
Long-term debt	-	-	-	-	-	-	-	-	-	12,323,087	12,323,087
Due to other funds	1,784,469	261,678	2,173,978	6,722,496	423,788	1,405,653	171,763	-	12,943,825	(12,943,825)	-
Total Current Liabilities	40,691,699	425,366	2,261,761	13,126,040	24,912,677	1,871,867	931,187	702,062	84,922,659	(11,973,200)	72,949,459
Noncurrent Liabilities:											
Compensated absences	-	-	-	-	-	-	-	-	-	11,488,531	11,488,531
Claims liability	-	-	-	-	-	-	8,804,175	-	8,804,175	-	8,804,175
Post-employment benefits	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-	387,369,790	387,369,790
Total Noncurrent Liabilities	-	-	-	-	-	-	8,804,175	-	8,804,175	398,858,321	407,662,496
TOTAL LIABILITIES	40,691,699	425,366	2,261,761	13,126,040	24,912,677	1,871,867	9,735,362	702,062	93,726,834	386,885,121	480,611,955
TOTAL FUND BALANCE/NET POSITION	35,035,899	366,661	1,348,467	144,803,960	40,435,018	10,678,823	-	-	232,668,828	261,345,383	494,014,211
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION											
BALANCE/NET POSITION	\$ 75,727,598	\$ 792,027	\$ 3,610,228	\$ 157,930,000	\$ 65,347,695	\$ 12,550,690	\$ 9,735,362	\$ 702,062	\$ 326,395,662	\$ 648,230,504	\$ 974,626,166

LOS RIOS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION BY FUND YEAR ENDED JUNE 30, 2014

	Government Fund Types					Proprietary Fund Types			Reconciling Adjustments/ Eliminations	Reconciled Total
	General	Special Revenue	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Total		
		Child Dev	Inst. Rel and Financial Aid							
REVENUES:										
Federal	\$ 7,998,390	\$ 97,702	\$ 108,687,709	\$ -	\$ -	\$ -	\$ -	\$ 116,783,801	\$ -	\$ 116,783,801
State	217,745,652	1,220,960	4,970,664	580,831	-	-	-	224,518,107	-	224,518,107
Local	84,272,040	61,108	213,016	2,763,113	48,127,979	858,275	-	136,295,531	(19,084,408)	117,211,123
Operation	214,809	-	2,056	-	-	18,448,988	7,292,913	25,958,766	(7,292,914)	18,665,852
Interest and other	161,592	1,000	2,188	594,082	110,998	17,830	23,000	910,690	1,085,489	1,996,179
Total revenues	<u>310,392,483</u>	<u>1,380,770</u>	<u>113,875,633</u>	<u>3,938,026</u>	<u>48,238,977</u>	<u>19,325,093</u>	<u>7,315,913</u>	<u>504,466,895</u>	<u>(25,291,833)</u>	<u>479,175,062</u>
EXPENDITURES/EXPENSES:										
Certificated salaries	133,648,954	-	-	-	-	-	-	133,648,954	-	133,648,954
Classified salaries	72,125,069	1,169,366	7,444	-	-	3,318,818	151,955	76,772,652	-	76,772,652
Employee benefits	61,437,609	629,732	3	-	-	953,792	69,861	63,090,997	(9,464,055)	53,626,942
Books, supplies and materials	6,479,308	99,464	16,426	-	-	238,191	-	6,833,389	(124,461)	6,708,928
Cost of goods sold	-	-	-	-	-	10,355,960	-	10,355,960	-	10,355,960
Contract services and operating expenses	27,556,089	10,028	212,514	633,579	-	4,539,401	7,094,097	40,045,708	(4,915,750)	35,129,958
Capital outlay	4,999,153	-	2,820	44,736,982	-	1,223	-	49,740,178	(49,740,178)	-
Depreciation	-	-	-	-	-	161,747	-	161,747	26,661,831	26,823,578
Auxiliary activities	56,500	-	116,033,562	14,838	25,433,070	-	-	141,537,970	(17,097,511)	124,440,459
Total expenditures/expenses	<u>306,302,682</u>	<u>1,908,590</u>	<u>116,272,769</u>	<u>45,385,399</u>	<u>25,433,070</u>	<u>19,569,132</u>	<u>7,315,913</u>	<u>522,187,555</u>	<u>(54,680,124)</u>	<u>467,507,431</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>4,089,801</u>	<u>(527,820)</u>	<u>(2,397,136)</u>	<u>(41,447,373)</u>	<u>22,805,907</u>	<u>(244,039)</u>	<u>-</u>	<u>(17,720,660)</u>	<u>29,388,291</u>	<u>11,667,631</u>
OTHER FINANCING SOURCES (USES):										
Operating transfers in	6,669,907	582,492	2,494,990	7,975,972	1,176,112	263,097	-	19,162,570	(19,162,570)	-
Operating transfers out	(10,738,951)	-	(885)	(6,650,344)	(210,401)	(1,561,989)	-	(19,162,570)	19,162,570	-
Total other financing sources (uses)	<u>(4,069,044)</u>	<u>582,492</u>	<u>2,494,105</u>	<u>1,325,628</u>	<u>965,711</u>	<u>(1,298,892)</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>20,757</u>	<u>54,672</u>	<u>96,969</u>	<u>(40,121,745)</u>	<u>23,771,618</u>	<u>(1,542,931)</u>	<u>-</u>	<u>(17,720,660)</u>	<u>29,388,291</u>	<u>11,667,631</u>
FUND BALANCE/NET POSITION, July 1, 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>
Prior period adjustment	-	-	-	-	-	-	-	-	18,899,806	18,899,806
FUND BALANCE/NET POSITION, June 30, 2014	<u>\$ 35,035,899</u>	<u>\$ 366,661</u>	<u>\$ 1,348,467</u>	<u>\$ 144,803,960</u>	<u>\$ 40,435,018</u>	<u>\$ 10,678,823</u>	<u>\$ -</u>	<u>\$ 232,668,828</u>	<u>\$ 261,345,383</u>	<u>\$ 494,014,211</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS
YEAR ENDED JUNE 30, 2014

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>
2013-14	\$ 4,914	\$ 50,908	\$ 250,166,528

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

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Amount Collected June 30</u>	<u>% Collected</u>
2013-14	\$ 197,715,669	\$ 197,485,346	99.9%

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

2013-14 assessed valuation	\$ 147,391,985,921
Less: Unsecured and Utility Assessment	<u>6,117,984,016</u>
Secured Assessed Valuation	<u>\$ 141,274,001,905</u>

<u>Property Owner</u>	<u>2013-14 Assessed Valuation</u>
1. Intel Corporation	\$ 542,264,949
2. Buzz Oates LLC	\$ 263,592,435
3. Target Corporation	\$ 212,079,318
4. Hines VAF II Sacramento Properties LP	\$ 207,840,609
5. Hines Sacramento Wells Fargo Center	\$ 206,543,650
6. Donahue Schriber Realty Group LP	\$ 195,382,168
7. Easton Development Company LLC	\$ 192,829,568
8. Wal Mart Real Estate Bsns Trust	\$ 172,714,095
9. Harsch Investment Properties LLC	\$ 160,278,011
10. Apple Computer Inc.	\$ 147,576,261

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, 2014, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2014.

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.

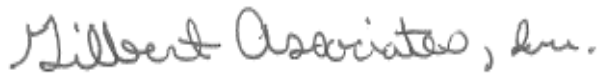
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not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

December 3, 2014

**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, 2014. 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, 2014.

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.

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

December 3, 2014

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, 2014.

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
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use of Health Fee Funds
- Prop 39 Clean Energy Fund
- 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
- 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, 2014. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with the *Contracted District Audit Manual*.

Gilbert Associates, Inc.

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

December 3, 2014

FINDINGS AND RECOMMENDATIONS SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2014

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

Noncompliance material to financial statements noted?

	<u> </u> Yes	<u> ✓ </u> No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u> 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)?

	<u> </u> Yes	<u> ✓ </u> No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Cluster</u>
<u>84.063, 84.007, 84.033, 84.268</u>	<u>Student Financial Assistance Programs Cluster</u>
<u>93.558</u>	<u>Temporary Assistance to Needy Families (TANF)</u>
<u>84.048</u>	<u>Vocational & Applied Technology Education Act – Title 1C</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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, 2014

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, 2014

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

There are no state compliance findings reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2014

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>
13-1 – EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) and COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE) Coordinators should ensure that the advisory committees are holding the required number of meetings for the EOPS/CARE programs.	Implemented	