

**LOS RIOS COMMUNITY  
COLLEGE DISTRICT**

**SACRAMENTO, CALIFORNIA**

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

**YEAR ENDED JUNE 30, 2015**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

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# LOS RIOS COMMUNITY COLLEGE DISTRICT

## ORGANIZATION YEAR ENDED JUNE 30, 2015

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### DESCRIPTION OF THE DISTRICT

The District, a political subdivision of the State of California, was established on July 1, 1964, and commenced operations on July 1, 1965. 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>
Dustin Johnson	President	2018
Deborah Ortiz	Vice President	2018
Kay Albiani	Member	2016
Pamela Haynes	Member	2016
Robert Jones	Member	2018
Ruth Scribner	Member	2016
John Knight	Member	2016
Cameron Weaver	Student Trustee	2015

### DISTRICT ADMINISTRATION

Dr. Brian King ..... Chancellor  
Theresa Matista ..... Vice Chancellor, Finance and Administration  
Dr. Sue Lorimer ..... Vice Chancellor, Education and Technology  
Dr. Beverly Sandeen ..... Vice Chancellor, Resource Development

### COLLEGE ADMINISTRATION

Dr. Thomas Greene ..... President, American River College  
Whitney Yamamura ..... Interim 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, 2015, 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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefits, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions 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 November 24, 2015, 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**

**November 24, 2015**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

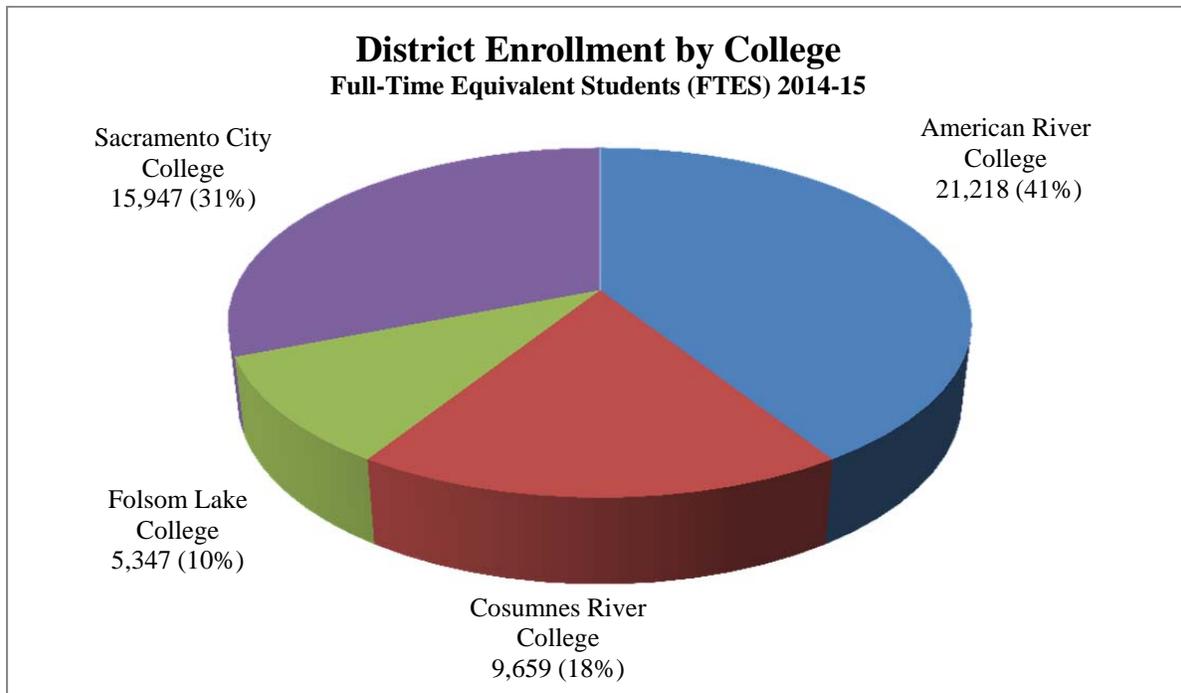
## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### DISTRICT BACKGROUND

The Los Rios Community College District (the District) is celebrating its 50th year in 2015-16. It was formed in 1965 as a result of the consolidation of ten separate K-12 “feeder” districts. At the time of its organization, the District consisted of two colleges: Sacramento City College and American River College. In 1970, the California Community College Board of Governors (BOG) and California Post-Secondary Educational Commission (CPEC) approved the creation of Cosumnes River College serving the southern portion of the District. In February 2004, Folsom Lake College achieved college status. The District also maintains five approved education centers in Davis, El Dorado, Elk Grove, Natomas and West Sacramento. The Elk Grove Educational Center, which serves one of the fastest growing areas of the region, was approved by the Board of Governors in 2014-15. The Rancho Cordova Center, which opened in Fall 2015, is expected to become the sixth approved educational center for the District.

The District, which is the second largest community college district in California and one of the largest in the nation, has a total enrollment of nearly 80,000 students. It covers approximately 2,400 square miles, including all of Sacramento County, most of El Dorado and parts of Yolo, Placer and Solano counties.



### MANAGEMENT DISCUSSION AND ANALYSIS (explained)

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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The basic financial statements include four components:

1. *Balance Sheet* presents the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Changes in total net position are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position.
2. *Statement of Revenues, Expenses, and Changes in Net Position* presents the revenues earned and expenses incurred by the District.
3. *Statement of Cash Flows* presents 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 Governmental 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

The 2014-15 fiscal year was positive for the District. The State continued paying down its debts which, for the community college system, included an annual deferral of apportionment payments totaling \$961 million as of 2011-12. The deferral was reduced significantly in 2012-13 and 2013-14. During 2014-15, the deferral was entirely eliminated.

Los Rios closed the year recognizing \$263.9 million in general purpose revenue entitlement, \$13.2 million higher than 2013-14. The increase in entitlement was the result of a Cost of Living Adjustment (COLA) in 2014-15 of 0.85% as well as an increase in the basic allocation of \$1.1 million for the West Sacramento Center and growth funding of \$9.5 million. The District's records include an estimated funding shortfall of \$0.8 million, which is based upon the overall statewide funding shortfall of 0.3%. The actual shortfall, if any, will be known when the final calculation for 2014-15 is issued in January 2016.

The COLA of 0.85% follows the COLA in 2013-14 of 1.57%, which was the first since fiscal year 2007-08. The COLAs, 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.

Enrollment fees were \$46 per unit. The enacted budget for 2015-2016 retains the \$46 per unit rate.

Funds from Proposition 30, which increased tax revenues by raising the State sales tax and high-income taxpayer's personal tax rates, are deposited into the Education Protection Account (EPA) and then distributed to districts. For Los Rios, the EPA accounts for \$48 million of the \$263.9 million entitlement.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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The State also funds several categorical programs, many of which are intended to provide support services for students and supplemental services for special student populations. The Student Success and Support Program (SSSP) received an augmentation of over \$5.2 million, bringing the total program to \$9.3 million. A new program, Student Equity, was funded at \$3.25 million. Equity funds are directed at closing the achievement gaps amongst different student demographics.

The District received \$6.6 million in funding to maintain facilities and update instructional equipment and library materials.

A Mandated Cost Block Grant to compensate districts for certain State mandated activities was funded for the third consecutive year, providing the District \$1.4 million. In addition, the District received \$2.2 million for claims filed in prior years.

The District continued to improve its facilities in 2014-15. Construction projects continued throughout the District, funded primarily through voter approved bond Measures A and M. Expended to date amounts shown below include expenditures paid from interest earnings.

	Authorized	Issued to Date	Expended to Date
2002 Measure A	\$265.0 million	\$237.5 million	\$247.4 million
2008 Measure M	\$475.0 million	\$190.0 million	\$155.2 million

Over the last six 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. In 2014-15, the District began restoring its instructional program. The District closed the year without the use of reserves to support on-going costs and has unrestricted general fund reserves at 12.3% as well as available reserves in its Capital Outlay projects fund.

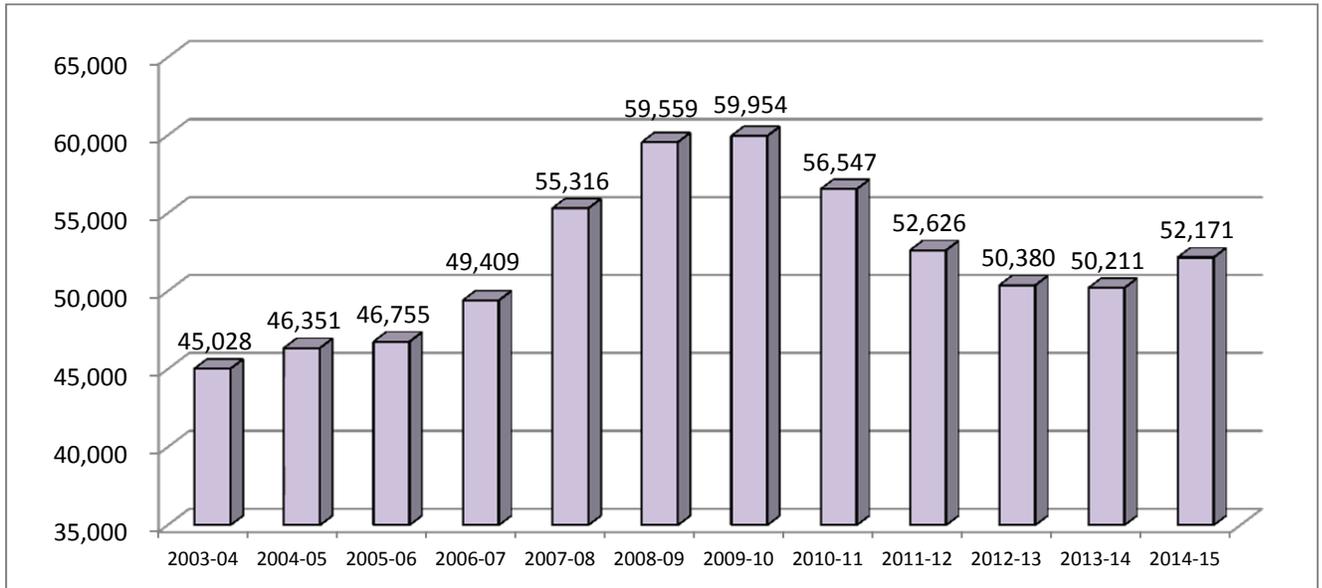
### ATTENDANCE

The District's attendance in 2014-15 was flat compared to 2013-14. The District reported some of its summer 2015 full-time equivalent students (FTES) in 2014-15 in order to qualify for available growth funding which results in the 4% increase shown below. Corresponding to the reductions in funding, the District reduced its instructional program, starting in the 2010-11 year through the 2012-13 year. Restoration of sections occurred in 2014-15. However, due to many factors, including an improved job market, the demand for classes has not returned to the pre-reduction levels. Fall 2014 student headcount was 77,074 compared to 90,545 for Fall 2009, a reduction of almost 15% over the last five years.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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



### FINANCIAL STATEMENTS SUMMARY – CURRENT TO PRIOR YEAR COMPARISON

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objective of these statements are to improve accounting and financial reporting by state and local governments for unfunded pension liabilities and to disclose any financial support for pensions that is provided by entities outside of the District.

GASB 68 establishes standards for measuring and recognizing unfunded pension liabilities, deferred outflows and inflows of resources, and expense for the State of California's public employee pension systems, CalPERS and CalSTRS. The District's proportionate share of the combined CalPERS and CalSTRS net pension liability was \$220 million, as of the measurement date of June 30, 2014. The implementation of GASB 68 is the reason for the large negative balance in the unrestricted net position shown on the balance sheet for 2015 (\$144 million).

The State provided on-behalf support payments for STRS employees directly to CalSTRS as of June 30, 2014 in the amount of \$7.8 million.

GASB 68 affects multiple areas of the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position. Because neither CalSTRS nor CalPERS provided the information for fiscal year 2013-14, the District was unable to show the effect of GASB 68 on the summary financial statements for 2014. This impacts the comparability between 2015 and 2014, as presented on the following pages.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

To illustrate one impact of the implementation, the chart below shows the District's Net Position with and without the effect of GASB 68.

	<b>Net Position with GASB 68 2015</b>	<b>Net Position without GASB 68 2015</b>	<b>Net Position without GASB 68 2014</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 327,415,874	\$ 327,415,874	\$ 313,762,504
Restricted	49,900,020	49,900,020	64,992,824
Unrestricted	<u>(143,994,045)</u>	<u>118,027,624</u>	<u>115,258,883</u>
<b>TOTAL NET POSITION</b>	<u>\$ 233,321,849</u>	<u>\$ 495,343,518</u>	<u>\$ 494,014,211</u>

There is a plan to fully fund the CalSTRS unfunded pension liability. Legislation was enacted to increase employer contribution rates over the next six years, more than doubling the 2015 rate of 8.88%. In addition, employee contributions will increase over the next two years from the 2015 rate of 8.15% to 10.25%. The rate increases will remain in effect for at least thirty years, at which time the liability is projected to be fully funded. CalPERS sets its own rates and is addressing its unfunded liability by increasing employer contribution rates over the next several years, nearly doubling the 2015 rate of 11.771%.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### BALANCE SHEET

	2015	2014
<b>ASSETS</b>		
Current Assets	\$275,892,744	\$294,792,870
Noncurrent Assets:		
Restricted and long-term investments	19,174,801	32,021,080
Capital assets, net	<u>666,445,530</u>	<u>641,473,099</u>
Total Noncurrent Assets	<u>685,620,331</u>	<u>673,494,179</u>
<b>TOTAL ASSETS</b>	<u>961,513,075</u>	<u>968,287,049</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>24,628,629</u>	<u>6,339,117</u>
<b>LIABILITIES</b>		
Current Liabilities	81,040,052	72,949,459
Long-Term Liabilities, Noncurrent Portion	<u>610,673,518</u>	<u>407,662,496</u>
<b>TOTAL LIABILITIES</b>	<u>691,713,570</u>	<u>480,611,955</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>61,106,285</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	327,415,874	313,762,504
Restricted	49,900,020	64,992,824
Unrestricted	<u>(143,994,045)</u>	<u>115,258,883</u>
<b>TOTAL NET POSITION</b>	<u>\$ 233,321,849</u>	<u>\$ 494,014,211</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *Balance Sheet Highlights*

- Current assets decreased by \$19 million (6%) over the prior year. Lease receivable, for the sale of District owned real property, was written off in 2015 after the buyer opted out of the lease (\$4.1 million). Other postemployment benefit (OPEB) asset was adjusted by \$6.6 million, based on a new actuarial study completed by an independent consultant. The remaining decrease is due to the payment of cash for capital assets and liabilities.
- Noncurrent Assets increased by \$12 million (2%). Restricted investments decreased by \$12 million from a maturing investment being transferred to restricted cash. This decrease was offset by a \$24 million increase in capital assets, net of accumulated depreciation.
- Deferred outflows of resources increased by \$18 million which is due to the implementation of GASB 68. This represents the District contributions to CalPERS and CalSTRS in 2015, which are not credited against the pension liabilities until the subsequent fiscal year.
- Current liabilities increased by \$8 million (11%) which was mostly due to the increase in unearned categorical revenue recorded over the prior year. This represents advanced funding received from state agencies but not spent by June 30<sup>th</sup>.
- Long-term liabilities increased by \$203 million. The implementation of GASB 68 was the primary factor, representing the District's proportionate share of the actuarial determined CalPERS and CalSTRS pension liabilities (\$72 million and \$148 million, respectively). Partially offsetting the GASB implementation was the reduction in principal payments on outstanding debt of \$13.5 million made during the fiscal year. No new bonds were issued.
- Deferred inflows of resources increased by \$61 million solely due to the implementation of GASB 68. This represents the District's proportionate share of the changes in the actuarial assumptions as determined by CalPERS and CalSTRS.
- Net position decreased by \$261 million due to the net effect of the implementation of GASB 68 on the balance sheet.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2015	2014
<b>Operating Revenues:</b>		
Net tuition and fees	\$ 25,577,758	\$ 24,031,681
Grants, contracts, and other designated revenues, noncapital	45,191,449	33,247,677
Auxiliary enterprise sales	19,241,277	19,266,024
Other operating income (payments)	2,282,756	2,528,258
<b>Total Operating Revenue</b>	92,293,240	79,073,640
Total Operating Expenses	374,103,947	343,094,575
<b>Operating Income (Loss)</b>	(281,810,707)	(264,020,935)
<b>Nonoperating Revenues (Expenses):</b>		
State apportionments, noncapital	147,276,740	150,544,463
Education protection account	47,794,800	37,920,228
Local property taxes	57,789,946	53,572,042
Lottery and other revenue	11,905,745	10,614,322
Investment income (expense)	578,142	316,498
Other nonoperating revenues (expenses)	(2,560,287)	(2,259,007)
<b>Total Nonoperating Revenues (Expenses)</b>	262,785,086	250,708,546
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	(19,025,621)	(13,312,389)
Apportionment and property taxes, capital	24,567,718	30,597,348
Interest income (expense), capital	(4,138,840)	(8,271,480)
Grants and gifts, capital	299,130	1,105,544
Other income (expense)	(595,973)	1,548,608
<b>Increase (Decrease) in Net Assets</b>	1,106,414	11,667,631
<b>Net Position - Beginning of Year</b>	494,014,211	463,446,774
Cumulative Effect of Change in Accounting Principles/ Prior Period Adjustment	(261,798,776)	18,899,806
<b>Net Position - Beginning of Year Adjusted</b>	232,215,435	482,346,580
<b>Net Position - End of Year</b>	\$ 233,321,849	\$ 494,014,211

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### *Revenue and Expense Highlights*

The change in net position over the prior year was due to the implementation of GASB 68. However, there were changes in other categories that are also worth noting.

- Grants, contracts and other designated revenues increased \$12 million (36%), partially due to an increase in Student Success and Support Program funding. Also, the District recognized \$7.8 million in State payments made on behalf of the District's proportionate share of the CalSTRS pension liability, in accordance with GASB 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance".
- Total Non-operating revenues (expenses) increased by \$12 million (5%) due to the overall funding increase for the District from COLA, Growth and the increase in the base allocation.
- Apportionment and property taxes, capital decreased \$6.0 million (20%). There was a decrease in the assessment of property taxes for the repayment of general obligation bonds from the prior year, offset by an increase in State Instructional Equipment Funds.
- Interest expense, capital decreased by \$4.2 million (50%) due to more interest cost being capitalized than in the prior year.
- The cumulative effect of change in accounting principles for 2015 (\$262 million) was the result of recording the District's proportionate share of the CalPERS and CalSTRS pension liability due to the implementation of GASB 68. Fiscal year 2014 had a prior period adjustment (\$19 million), which represented a correction to recognize prior year property taxes collected that were underreported to the District by the Sacramento County Treasurer for servicing the debt of the District's general obligation bonds.

### OPERATING EXPENSES

	2015	2014
<b>Operating Expenses (by Natural Classification)</b>		
Compensation	\$ 214,526,247	\$ 210,421,606
Employee benefits	59,873,125	53,626,942
Pension expense (CalPERS & CalSTRS)	19,201,066	-
Supplies, materials, other operating expenses, and services	44,226,416	44,470,814
Utilities	8,212,863	7,751,635
Depreciation	28,064,230	26,823,578
<b>Total Operating Expenses</b>	<b>\$ 374,103,947</b>	<b>\$ 343,094,575</b>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### *Operating Expense Highlights*

- Compensation increased by \$4.1 million (2%) due to continuing and one-time salary schedule improvements.
- Employee benefits increased by \$6.3 million (12%). This change primarily resulted from adjustments required by GASB 68 reclassifying current year STRS and PERS contributions from an expense to a deferred outflow of resources (asset), changes from a new OPEB actuarial report completed in 2015 and from medical benefit costs increases.
- Pension expense of \$19 million represents the effect of recording the implementation of GASB 68.
- Depreciation increased \$1.3 million (5%) due to newly constructed assets placed into service during the current year.

### **CASH FLOW**

	<b>2015</b>	<b>2014</b>
<b>Statement of Cash Flows</b>		
<b>Cash Provided (Used) By:</b>		
Operating activities	\$ (239,007,680)	\$ (238,321,401)
Noncapital financing activities	<u>292,195,632</u>	<u>282,335,419</u>
<b>Subtotal operating and noncapital financing activities</b>	53,187,952	44,014,018
Capital and related financing activities	(23,014,865)	(34,926,540)
Investing activities	<u>12,864,602</u>	<u>37,810,045</u>
<b>Net Increase (Decrease) in Cash</b>	43,037,689	46,897,523
<b>Cash - Beginning of the fiscal year</b>	<u>208,118,511</u>	<u>161,220,988</u>
<b>Cash - End of the fiscal year</b>	<u><u>\$ 251,156,200</u></u>	<u><u>\$ 208,118,511</u></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 increase (\$9.2 million) was primarily due to the overall funding increase for the District from COLA, Growth and the increase in the base allocation.
- Capital and related financing activities primarily represent capital expenditures and financing to support those activities. The increase (\$12 million) is primarily due to the reduction in capital assets spending versus the prior year.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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- Investing activities primarily represent the investing and selling of available bond proceeds for capital expenditures. More investments were sold in 2014 versus 2015.

### **ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

California's 113 community colleges are largely dependent on the State for funding their instructional and student services programs. In turn, the State remains dependent on stock market gains and often volatile income tax revenues for much of the funding that it invests in our community colleges. The good news for 2015-16 is that state tax revenues have been exceeding the budget projections. Similar to 2014-15, revenues in excess of budget provide an opportunity to address debt and one-time needs. For Los Rios and all of California's community colleges, the short-term impact of the State's enacted 2015-16 budget is the largest single-year funding increase in memory.

The Governor signed the 2015-16 State Budget Act on June 24, 2015. For the District, the budget has \$68 million in funding augmentations, some continuing and some one-time. Continuing general purpose funds include growth (class sections), a cost of living adjustment (COLA), funding for new faculty, an augmentation to base funding, and a basic allocation increase specific to the Board of Governors approved educational center in Elk Grove. Additionally, continuing increases were made for categorical programs including the Student Success & Support Program (SSSP) and Student Equity programs. One-time allocations include Scheduled Maintenance and Special Repairs as well as Instructional Equipment and library material. The largest single allocation is one-time funding to pay prior years' claims for mandated costs.

Governor Brown's budget for 2015-16 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 2015-16 year should be favorable. The general fund reserve is well above the required District Board of Trustees' and Chancellors Office's recommended prudent levels. As stated earlier, the budget for 2014-15 did not require any reserves to support base operations. The same is true for 2015-16.

The Governor's budget includes a base augmentation of \$267 million, which was made in recognition of increased costs, specifically, the increase in retirement contributions. The District's share is \$12.5 million, of which a substantial portion has been set-aside toward the current and future year's increases to employer contributions for STRS and PERS. Additional augmentations to the District's base allocation included \$2.8 million in funding to support new faculty positions which will result in twenty-two additional full-time faculty and \$2.7 million in COLA.

Enrollment is somewhat flat but still positive. The District is monitoring its enrollment closely and is engaging in increased marketing and outreach to attract more students as well as focusing on improving retention of current students. Due to the base augmentation and COLA, the District is not relying on growth funding in 2015-16 as a source to cover operating cost increases. So, while enrollment is an important concern, the District could weather another flat or down year without an impact on its budget.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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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.

The State owes K-12 and Community College Districts a significant amount in mandated costs claims. The State is required to provide funding when it mandates districts to perform additional activities. When the funding is not provided or is insufficient, a claim can be made for the reimbursement of the costs associated with the mandated activity. As part of his goal at reducing the State's debt, the Governor has been using one-time revenues to pay off mandate claims. The enacted budget includes \$604 million for paying past mandate cost claims. The District anticipates receiving \$28.9 million. In recognition that there may be years where districts do not have sufficient on-going funds to pay the STRS and PERS increases, districts are encouraged to use some of the mandate funds toward reserves for STRS and PERS. In 2014-15 and again in 2015-16, the District will set aside some of the funds from the payment for past claims as a reserve for future STRS and PERS increase.

Beyond 2015-16, 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 expires in 2018. Ballot measures are being initiated to extend the personal income tax increase.

Another concern is the shift in funding sources without guaranteed backfill for deficits. In 2008-09, the State general fund provided 66% of the dollars supporting California Community Colleges. In 2014-15, 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 even more prevalent than in past years, which adds complexity to planning.

The last State bond for facilities passed in 2006 and has been fully allocated. 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. A ballot initiative has been circulated for a bond measure in November 2016. The District has two major projects that would be funded if a bond is successful.

The District had a good 2014-2015 budget year. And as the District celebrates its 50<sup>th</sup> anniversary this year, we continue to plan thoughtfully for the many challenges ahead and look forward to a promising 2015-16 budget year which provides the District the opportunity to expand and enhance access and success for our students, systematically reduce the pension liability and provide for upgrades to reduce water consumption. Through the support of the Board members, staff, students and community at large, the District, with its enviable reputation and unique place in the community, remains committed to academic excellence and fiscal stability.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## BALANCE SHEET

JUNE 30, 2015

	<u>Primary Institution</u>	<u>Foundation</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 170,541,665	\$ 1,015,400
Restricted cash and cash equivalents	80,614,535	-
Short-term investments	443,468	-
Accounts receivable, net	14,365,061	139,102
Interest receivable	547,462	-
Inventory	2,322,702	-
Prepaid expenses and other assets	3,857,851	2,050
Other postemployment benefit asset	3,200,000	-
Total current assets	<u>275,892,744</u>	<u>1,156,552</u>
Noncurrent assets:		
Long-term investments	6,570,747	10,629,963
Restricted investments	12,604,054	-
Pledged receivable, net	-	89,723
Nondepreciable capital assets	65,140,345	-
Depreciable capital assets, net	601,305,185	-
Total noncurrent assets	<u>685,620,331</u>	<u>10,719,686</u>
<b>TOTAL ASSETS</b>	<u>961,513,075</u>	<u>11,876,238</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	5,650,456	-
Deferred outflows of resources related to pensions	18,978,173	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>24,628,629</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 986,141,704</u>	<u>\$ 11,876,238</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 9,406,681	\$ 742,763
Accrued salaries and related benefits	19,851,445	-
Interest payable	9,023,385	-
Unearned revenue	22,672,731	-
Compensated absences	5,064,955	-
Other accrued liabilities	995,220	-
Amounts held in trust for others	1,471,540	490
Long-term debt due within one year	12,554,095	-
Total current liabilities	<u>81,040,052</u>	<u>743,253</u>
Noncurrent liabilities:		
Compensated absences	11,523,657	-
Claims liability	8,704,178	-
Net pension liability	219,893,557	-
Long-term debt	370,552,126	-
Total noncurrent liabilities	<u>610,673,518</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>691,713,570</u>	<u>743,253</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	61,106,285	-
<b>NET POSITION</b>		
Net investment in capital assets	327,415,874	-
Restricted for:		
Nonexpendable:		
Scholarships	-	4,794,869
Expendable:		
Scholarships and loans	639,283	4,798,709
Capital projects	41,660,021	-
Other special purposes	7,600,716	-
Unrestricted (deficit)	<u>(143,994,045)</u>	<u>1,539,407</u>
<b>TOTAL NET POSITION</b>	<u>233,321,849</u>	<u>11,132,985</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 986,141,704</u>	<u>\$ 11,876,238</u>

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, 2015

	<b>Primary Institution</b>	<b>Foundation</b>
<b>OPERATING REVENUES</b>		
Tuition and fees (gross)	\$ 67,364,592	\$ -
Less: scholarship discounts and allowances	(41,786,834)	-
Net tuition and fees	25,577,758	-
Grants and contracts, noncapital:		
Federal	7,137,080	-
State	34,561,659	-
Local	3,492,710	-
Auxiliary enterprise sales and charges	19,241,277	-
Other operating income	2,282,756	-
<b>TOTAL OPERATING REVENUES</b>	<b>92,293,240</b>	<b>-</b>
<b>OPERATING EXPENSES</b>		
Salaries	214,526,247	22,082
Employee benefits	79,074,191	778
Supplies, materials, and other operating expenses and services	44,185,563	1,771,919
Utilities	8,212,863	-
Depreciation	28,064,230	-
Payments to students	40,853	480,043
<b>TOTAL OPERATING EXPENSES</b>	<b>374,103,947</b>	<b>2,274,822</b>
<b>OPERATING LOSS</b>	<b>(281,810,707)</b>	<b>(2,274,822)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	147,276,740	-
Education protection account	47,794,800	-
Local property taxes	57,789,946	-
Lottery, state taxes and other revenues	11,905,745	-
Interest income, noncapital	650,174	178,054
Investment expense, noncapital	(72,032)	(132,840)
Interest expense	(528,953)	-
Financial aid revenues, federal	99,622,037	-
Financial aid revenues, state	5,559,135	-
Financial aid expenses	(107,577,629)	-
Other non-operating revenues - grants/gifts, non-capital	338,314	1,205,159
Other non-operating revenues - grants/gifts, misc.	26,809	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>262,785,086</b>	<b>1,250,373</b>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>(19,025,621)</b>	<b>(1,024,449)</b>
<b>CAPITAL ACTIVITIES</b>		
State apportionments, capital	3,875,449	-
Local property taxes and revenues, capital	20,692,269	-
Interest income, capital	334,063	-
Investment income, capital	25,006	-
Interest expense on capital asset-related debt	(4,138,840)	-
Debt service costs	(19,479)	-
Grants and gifts, capital	299,130	-
Loss from disposal of capital assets	(935,563)	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>1,106,414</b>	<b>(1,024,449)</b>
<b>NET POSITION -- BEGINNING OF YEAR, as previously reported</b>	<b>494,014,211</b>	<b>12,157,434</b>
Cumulative effect of change in accounting principle	(261,798,776)	-
<b>NET POSITION -- BEGINNING OF YEAR, as restated</b>	<b>232,215,435</b>	<b>12,157,434</b>
<b>NET POSITION -- END OF YEAR</b>	<b>\$ 233,321,849</b>	<b>\$ 11,132,985</b>

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2015

	<b>Primary Institution</b>	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 25,535,334	\$ -
Federal grants and contracts	7,003,280	-
State grants and contracts	34,261,569	-
Local grants and contracts	4,581,379	-
Payments to suppliers	(50,644,839)	(572,638)
Payments to/on behalf of employees	(280,433,849)	(23,297)
Payments to/on behalf of students	(40,853)	-
Auxiliary enterprise sales and charges	18,394,955	-
Other receipts (payments)	2,335,344	(2,079,047)
Net cash used by operating activities	(239,007,680)	(2,674,982)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	176,242,234	-
Education protection account receipts	47,794,800	-
Local property and state taxes, lottery and other state receipts	69,683,967	-
Gifts and grants for other than capital purposes	365,123	1,335,531
Financial aid, scholarship, loan trust receipts - federal	99,813,719	-
Financial aid, scholarship, loan trust receipts - state	5,485,920	-
Financial aid expenses	(107,577,629)	-
Student organization agency payments	(5,542)	-
Interest on noncapital investments	466,409	-
Investment income on noncapital investments	-	14
Interest paid on non-capital debt	(73,369)	-
Net cash provided by noncapital financing activities	292,195,632	1,335,545
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt service costs	(19,380)	-
State apportionments for capital purposes	3,861,344	-
Capital grants and gifts received	2,631,918	-
Purchases of capital assets	(41,687,700)	-
Proceeds from sale of capital assets	5,734	-
Principal paid on capital debt	(13,470,000)	-
Interest paid on capital debt	(17,532,171)	-
Interest received on capital investments	5,059	-
Local property taxes and other revenues for capital	43,190,331	-
Net cash used by capital and related financing activities	(23,014,865)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	48,953,486	5,166,393
Interest and dividends on investments	16,414	264,973
Investment fees	-	(86,934)
Purchases of investments	(36,105,298)	(3,991,189)
Net cash provided by investing activities	12,864,602	1,353,243
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	43,037,689	13,806
<b>CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR</b>	208,118,511	1,001,594
<b>CASH AND CASH EQUIVALENTS -- END OF YEAR</b>	\$ 251,156,200	\$ 1,015,400

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, 2015

	<b>Primary Institution</b>	<b>Foundation</b>
<b>RECONCILIATION TO BALANCE SHEET:</b>		
Cash and cash equivalents	\$ 170,541,665	\$ -
Restricted cash and cash equivalents	80,614,535	-
Total cash and cash equivalents	\$ 251,156,200	\$ -
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (281,810,707)	\$ (2,274,822)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	28,064,230	-
Changes in assets and liabilities:		
Accounts receivable, net	(1,687,280)	(8,437)
Inventory	(357,396)	-
Other assets	6,421,466	(2,000)
Accounts payable	1,461,227	(389,286)
Accrued salaries and related benefits	(905,042)	(437)
Unearned revenue	9,345,579	-
Compensated absences	166,903	-
Net pension liability and related deferred inflows/outflows	222,893	-
Other liabilities and credits	70,447	-
Net cash used by operating activities:	\$ (239,007,680)	\$ (2,674,982)

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### 1. ORGANIZATION AND NATURE OF ACTIVITIES

**Definition of the Reporting Entity** – Los Rios Community College District (the District) is a political subdivision of the State of California and provides higher education in the greater Sacramento area, which consists of portions of five counties. The District consists of four colleges, five official centers, and two 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 reporting entity definition criteria:

*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, 2015

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

**Current Year GASB Implementation** – For the year ended June 30, 2015, the District implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71) *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objectives of GASB 68 and GASB 71 are 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. They 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 Statements identify 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. Note 9 explains the effect of the current year GASB implementation.

Since GASB 68 requires retroactive application, beginning net position is reduced by the net pension liability offset by the related deferred outflow of resources as of June 30, 2014. As a result, for the year ended June 30, 2015, the beginning net position decreased by \$261,798,776 as the cumulative effect of a change in accounting principles.

**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, 2015, the fair value of the County pool was 100.10% 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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**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, 2015, the fair value of LAIF was 100.0375979% of the carrying value. The total fair value amount invested by all public agencies in LAIF at June 30, 2015 was \$21,495,234,784. LAIF is a part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2015, were \$69,641,162,418. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2015, totaling \$1,447,948,000, approximately 2.08% of the total portfolio. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative.

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

**Accounts Receivable** – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in California. Accounts receivable also includes state general apportionment and amounts due from Federal, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was \$157,785 at June 30, 2015.

**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 is 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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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, 2015 was \$10,817,786.

**Deferred Outflows/Deferred Inflows of Resources** – In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 9 for further details to these pension related deferred outflows and inflows.

**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.

**Pensions** – Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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**Bond Issuance Premiums** – Bond issuance premiums are deferred, amortized over the term of the bonds using the effective interest method, and 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.

*Unrestricted Net Position (Deficit)* is net position that is not subject to externally imposed constraints and may be used to meet current expenses for any purpose. However, unrestricted net position may be designated for specific purposes by action of the District's Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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

*Operating Revenues* include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, State, and local grants and contracts, and federal appropriations.

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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**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.

**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 \$55,000,000, 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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**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 2015, the GASB issued GASB Statement 72, *Fair Value Measurement and Application*, and GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, with required implementation for the fiscal year ending June 30, 2016. The primary objective of GASB 72 is to provide guidance for determining a fair value measurement for financial reporting of assets and liabilities. The primary objective of GASB 76 is to identify the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governmental entities. It is not expected that implementing these statements will have a material impact on the District's financial statements.

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ending June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) 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 OPEB 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 75 is required to be implemented retroactively and may require a restatement of beginning net position.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2015, are classified in the accompanying balance sheet as follows:

Cash and cash equivalents	\$ 170,541,665
Restricted cash and cash equivalents	80,614,535
Short-term investments	443,468
Long-term investments	6,570,747
Restricted investments	<u>12,604,054</u>
Total cash, cash equivalents and investments	<u>\$ 270,774,469</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The District's cash, cash equivalents and investments as of June 30, 2015, consist of the following:

	<u>Fair Value</u>
Petty cash/cash awaiting deposit	\$ 5,224,993
Deposits with financial institutions	5,116,330
Pooled cash, cash equivalents and investments:	
County Treasury Pooled Investment Fund	240,814,877
Local Agency Investment Fund	7,014,215
Money Market Mutual Fund	1,537
Subtotal pooled cash, cash equivalents and investments	<u>247,830,629</u>
Investment securities:	
U.S. government agency securities:	
Federal Farm Credit Bank	563,504
Federal Home Loan Bank	12,039,013
Subtotal investment securities	<u>12,602,517</u>
Total cash, cash equivalents and investments	<u>\$ 270,774,469</u>

### Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, 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	\$ 9,841,165

### 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 5% of its investments in the Federal Home Loan Bank.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Interest Rate Risk – Investments

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

The schedule of maturities at June 30, 2015, 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>&gt;5</u>
County Treasury Pooled Investment Fund	\$ 240,814,877	\$ 240,814,877	\$ -	\$ -
Local Agency Investment Fund	7,014,215	7,014,215	-	-
Money Market Mutual Fund	1,537	1,537	-	-
Federal Farm Credit Bank	563,504	-	563,504	-
Federal Home Loan Bank	12,039,013	12,039,013	-	-
Totals	<u>\$ 260,433,146</u>	<u>\$ 259,869,642</u>	<u>\$ 563,504</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, 2015:

Federal grants and contracts	\$ 1,970,063
State grants and contracts	2,337,082
Local grants and contracts	485,812
State apportionment - noncapital	5,338,037
State apportionment - capital	14,105
Local property taxes	70,511
Auxiliaries	1,884,486
Tuition and fees, net (allowance of \$157,785)	632,799
Other	<u>1,632,166</u>
Total	<u>\$ 14,365,061</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is as follows:

	<b>Balance July 1, 2014</b>	<b>Additions / Transfers</b>	<b>Deductions / Transfers</b>	<b>Balance June 30, 2015</b>
Nondepreciated capital assets:				
Land	\$ 7,400,897	\$ 3,117,069	\$ -	\$ 10,517,966
Construction in progress	72,090,476	27,846,502	(47,008,099)	52,928,879
Collectables	1,693,500	-	-	1,693,500
Total nondepreciated capital assets	81,184,873	30,963,571	(47,008,099)	65,140,345
Depreciated capital assets:				
Site improvements	63,139,549	1,662,427	-	64,801,976
Buildings and improvements	636,575,422	55,016,868	-	691,592,290
Equipment	145,568,875	11,979,836	(18,377,496)	139,171,215
Library books	6,208,188	430,352	(606,576)	6,031,964
Total depreciated capital assets	851,492,034	69,089,483	(18,984,072)	901,597,445
Less: accumulated depreciation	(291,203,808)	(28,064,230)	18,975,778	(300,292,260)
Total assets being depreciated	560,288,226	41,025,253	(8,294)	601,305,185
Total capital assets - net	\$ 641,473,099	\$ 71,988,824	\$ (47,016,393)	\$ 666,445,530

### 6. LONG-TERM DEBT

The long-term liability activity for the year ended June 30, 2015, is as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Payments and Reductions</b>	<b>Balance June 30, 2015</b>	<b>Current Portion</b>
General obligation bonds	\$ 370,270,000	\$ -	\$ (8,990,000)	\$ 361,280,000	\$ 9,485,000
Bond issuance premiums	23,731,856	-	(3,101,845)	20,630,011	2,827,853
Certificates of participation	5,670,000	-	(4,480,000)	1,190,000	240,000
Certificates of participation issuance premiums	21,021	-	(14,811)	6,210	1,242
Total	\$ 399,692,877	\$ -	\$ (16,586,656)	\$ 383,106,221	\$ 12,554,095

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### BOND DEBT

The outstanding general obligation bond debt as of June 30, 2015, is as follows:

	<b>Original Issue</b>	<b>Refunding Issuance</b>	<b>Outstanding Balance</b>
<b>Measure A Bonds</b>			
2002 Series A general obligation bonds, due in annual installments of \$575,000 to \$1,860,000 beginning February 1, 2003, through August 1, 2027, at interest from 3.40% to 6.40%. Subsequently, in October 2010, all the outstanding Series A Bonds totaling \$22,000,000 were refunded in substance with the issuance of \$21,025,000 of 2010 Refunding Bonds. Called bonds were retired on February 1, 2011.	\$ 27,500,000	\$ -	\$ -
2002 Series B general obligation bonds, due in annual installments of \$650,000 to \$4,345,000 beginning February 1, 2005, through August 1, 2028, at interest from 2.00% to 5.00%. Subsequently, in October 2011, and March 2012, all but \$2,175,000 of the bonds outstanding were refunded in substance with the issuances of the 2011 and 2012 Refunding Bonds.	65,000,000	-	-
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	-	-
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	-	48,410,000
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	-	19,500,000
2010 Refunding Bonds, due in annual installments of \$905,000 to \$1,730,000 beginning February 1, 2011, through August 1, 2027, at interest from 2.00% to 5.00%.	-	21,025,000	17,165,000

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

	<b>Original Issue</b>	<b>Refunding Issuance</b>	<b>Outstanding Balance</b>
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	37,435,000
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	59,965,000
Total Measure A Bonds	<u>237,500,000</u>	<u>124,140,000</u>	<u>182,475,000</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	-	119,805,000
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	-	59,000,000
Total Measure M Bonds	<u>190,000,000</u>	<u>-</u>	<u>178,805,000</u>
Total Measure A & M Bonds	<u>\$ 427,500,000</u>	<u>\$ 124,140,000</u>	<u>\$ 361,280,000</u>

The outstanding general obligation bond debts mature as follows:

<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	12,255,000	15,153,457	27,408,457
2021-2025	76,575,000	65,996,168	142,571,168
2026-2030	100,785,000	43,839,206	144,624,206
2031-2035	94,940,000	19,684,183	114,624,183
2036-2039	<u>34,790,000</u>	<u>2,198,875</u>	<u>36,988,875</u>
Total	<u>\$ 361,280,000</u>	<u>\$ 212,132,692</u>	<u>\$ 573,412,692</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 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 originally matured through June 1, 2031, however the issuance included a prepayment option which the District chose to exercise during the current year, which has reduced the payment period. The District's remaining COP payments through June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 240,000	\$ 48,583	\$ 288,583
2017	250,000	39,223	289,223
2018	260,000	29,223	289,223
2019	275,000	18,562	293,562
2020	<u>165,000</u>	<u>7,012</u>	<u>172,012</u>
Total	<u>\$ 1,190,000</u>	<u>\$ 142,603</u>	<u>\$ 1,332,603</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.

## 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, 2015, was \$372,825. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payments</u>
2016	\$ 285,254
2017	197,349
2018	201,914
2019	210,626
2020	<u>203,227</u>
Total	<u>\$ 1,098,370</u>

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

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 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, 2015.

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

### 9. RETIREMENT PLANS

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

##### Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calstrs.com](http://www.calstrs.com).

##### Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

### Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California’s (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The District’s required contribution rate for the year ended June 30, 2015, was 8.88% of annual pay. District contributions to the CalSTRS Plan were \$10,573,510 for the year ended June 30, 2015.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State’s contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. Thus the State contribution rate, which in the period ended June 30, 2015, was 3.454% of covered payroll, will increase over the next two years to a total of 6.328%.

### Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to the measurement date of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return <sup>(1)</sup>	7.60%
Mortality <sup>(2)</sup>	CalSTRS’ Membership Data
Post-Retirement Benefit Increase	2% simple

<sup>(1)</sup> Net of investment expenses, but gross of administrative expenses.

<sup>(2)</sup> CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by CalSTRS' general investment consultant is based on CalSTRS' board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the CalSTRS board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term * Expected Real Rate of Return</u>
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Cash / Liquidity	1.00%	0.00%
Total	100.00%	

\*10-year geometric average

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

#### Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPR made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPR, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

### Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2015, was 11.771% of annual pay. District contributions to the CalPERS Plan were \$8,404,663 for the year ended June 30, 2015.

### Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases <sup>(1)</sup>	Varies
Investment Rate of Return <sup>(2)</sup>	7.50%
Mortality <sup>(3)</sup>	CalPERS' Membership Data
Post-Retirement Benefit Increase	Up to 2.75% <sup>(4)</sup>

<sup>(1)</sup> Depending on age, service and type of employment

<sup>(2)</sup> Net of pension plan investment and administrative expenses; includes inflation

<sup>(3)</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report.

<sup>(4)</sup> Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2014 based on June 30, 2013 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

<sup>(a)</sup> An expected inflation of 2.5% was used for this period.

<sup>(b)</sup> An expected inflation of 3.0% was used for this period.

### **Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	\$ 148,429,980
CalPERS Plan	71,463,577
State's proportionate share of CalSTRS net pension liability associated with the District	<u>89,605,779</u>
Total	<u>\$ 309,499,336</u>

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2014, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2014, was .254% and .6295% for the CalSTRS and CalPERS Plans, respectively.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$29,966,072 and revenue of \$7,765,006 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
District contributions subsequent to measurement date	\$ 18,978,173	
Net differences between projected and actual earnings on plan investments		\$ 61,106,285
Total	\$ 18,978,173	\$ 61,106,285

The \$18,978,173 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	
2016	\$ (15,276,572)
2017	(15,276,571)
2018	(15,276,571)
2019	(15,276,571)
Total	\$ (61,106,285)

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### **Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<b>Discount Rate –1% (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>Discount Rate +1% (8.60%)</b>
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 231,363,520	\$ 148,429,980	\$ 79,278,480
	<b>Discount Rate –1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate +1% (8.50%)</b>
District's proportionate share of the CalPERS Plan's net pension liability	\$ 125,363,428	\$ 71,463,577	\$ 26,424,818

### **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, 2015, was \$242,441. 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### 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 are held in trust as described in the Internal Revenue Code, Section 457, for the exclusive benefit of the employees and their beneficiaries. The plan administrators are agents of the employer for purposes of providing directions for the investment of funds held in the employer's account. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plan balances and activities are not reflected in the District's financial statements.

### 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

#### Plan Description

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

The RHBP has 880 retirees receiving benefits and 2,396 active participants, of which 1,934 are not yet vested.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 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 \$235 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, 2015, the District contributed \$3,200,000 to the Trust. The value of the accumulated assets in the Trust for the year ended June 30, 2015, was \$104,056,828.

Actuarial cost method	Entry Age Normal 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	\$ 3,486,358
Amortization of Unfunded Actuarial Accrued Liability (UAAL) due to asset and experience	(27,350,146)
Interest to fiscal year end	<u>(92,687)</u>
Annual required contribution (ARC)	-
Interest on Net OPEB Obligation	(489,573)
Adjustment to ARC	<u>10,281,038</u>
Annual OPEB Cost	9,791,465
Contributions to the Trust	<u>(3,200,000)</u>
Decrease in OPEB obligation	6,591,465
Net OPEB asset at July 1, 2014	<u>(9,791,465)</u>
Net OPEB asset at June 30, 2015	<u>\$ (3,200,000)</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2015, 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, 2013	\$ 3,568,576	\$ -	N/A	\$ 812,133
June 30, 2014	\$ (3,771,350)	\$ 6,832,248	N/A	\$ (9,791,465)
June 30, 2015	\$ (9,791,465)	\$ 3,200,000	N/A	\$ (3,200,000)

### Funded Status and Funding Progress

The District's funding progress for other postemployment benefits as of the most recent valuation, June 1, 2015, 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>
6/1/15	\$ 105,171,076	\$ 77,820,930	\$ (27,350,146)	135%	\$ 160,465,891	-17.0%

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, 2015

### Condensed Trust Financial Statements

The financial statements at June 30, 2015, for the Trust are presented below. The Trust does not issue a separate report.

#### Trust Statement of Net Position (Unaudited)

	<u>June 30, 2015</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 758,897
Long-term investments	<u>103,297,931</u>
<b>Total assets</b>	104,056,828
Accounts payable	<u>62,500</u>
<b>Net position</b>	<u>\$ 103,994,328</u>

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

	<u>June 30, 2015</u>
<b>Additions:</b>	
Contributions	\$ <u>3,200,000</u>
Investment income:	
Net realized and unrealized gains on investments	2,023,750
Dividends and interest	<u>1,096,564</u>
Total investment income	<u>3,120,314</u>
<b>Total additions to net assets</b>	<u>6,320,314</u>
<b>Deductions:</b>	
Benefit expenses	(2,996,557)
Administrative expenses	<u>(261,216)</u>
<b>Total deductions from net position</b>	<u>(3,257,773)</u>
<b>Increase in net position</b>	3,062,541
<b>Net position – beginning of year</b>	<u>100,931,787</u>
<b>Net position – end of year</b>	<u>\$ 103,994,328</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, 2015

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### 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 \$8,356,189. 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, 2015

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 \$55,000,000, 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 \$8,704,179 for liability, property, and workers' compensation claims. The liabilities for dental totaling \$460,135 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Unpaid claims and claim adjustments – beginning of year	\$ 8,804,175	\$ 8,262,755
Incurred claims and claims adjustments:		
Provision for insured events of the current year	3,017,446	1,762,230
Increases (decreases) in provision for insured events of prior years	<u>(1,627,413)</u>	<u>(79,844)</u>
Total incurred claims and claim adjustments	<u>1,390,034</u>	<u>1,682,386</u>
Less payments:		
Claims and claim adjustments attributable to insured events of the current years	357,210	258,430
Claims and claim adjustments attributable to insured events of prior years	<u>1,132,820</u>	<u>882,536</u>
Total payments	<u>1,490,030</u>	<u>1,140,966</u>
Total unpaid claims and claim adjustments – end of year	<u>\$ 8,704,178</u>	<u>\$ 8,804,175</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### 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 \$55,000,000 with SELF

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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:

	<b>June 30, 2014 SELF</b>	<b>June 30, 2014 ASCIP</b>
Total Assets	\$ 162,746,000	\$ 338,924,559
Total Liabilities	(118,853,000)	(192,358,306)
Net Position	\$ 43,893,000	\$ 146,396,253
Total Revenues	\$ 11,812,000	\$ 208,452,919
Total Expenses	(4,199,000)	(196,801,424)
Net Increase in Net Position	\$ 7,613,000	\$ 11,651,495

### NCRPSTA

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

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

	<b>June 30, 2014</b>
Total Assets	\$ 5,694,385
Total Liabilities	(154,200)
Net Position	\$ 5,540,185
Total Revenues	\$ 1,893,997
Total Expenses	(3,063,380)
Special Item	(2,176,180)
Net (Decrease) in Net Position	\$ (3,346,193)

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2015

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded (Overfunded) AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
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%
6/1/15	\$105,171,076	\$77,820,930	\$ (27,350,146)	135%	\$160,465,891	-17.0%

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2015

Last 10 Years\*

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<b>CalSTRS Plan</b>	
	<u><b>2015</b></u>
District's proportion of the net pension liability	.254%
District's proportionate share of the net pension liability	\$ 148,429,980
State's proportionate share of the net pension liability associated with the District	<u>89,605,779</u>
Total	<u><u>\$ 238,035,759</u></u>
District's covered employee payroll	\$ 111,268,958
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	133%
Plan fiduciary net position as a percentage of the total pension liability	77%

<b>CalPERS Plan</b>	
	<u><b>2015</b></u>
District's proportion of the net pension liability	.6295%
District's proportionate share of the net pension liability	\$ 71,463,577
District's covered employee payroll	\$ 68,255,629
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	105%
Plan fiduciary net position as a percentage of the total pension liability	83%

### Notes to Schedule:

**Change of benefit terms** – In 2015, there were no changes to the benefit terms.

**Changes in assumptions** – In 2015, there were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

As of June 30, 2015

Last 10 Years\*

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<b>CalSTRS Plan</b>	
	<u><b>2015</b></u>
Contractually required contribution (actuarially determined)	\$ 10,573,510
Contributions in relation to the contractually required contributions	<u>(10,573,510)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 119,125,206
Contributions as a percentage of covered-employee payroll	8.9%
 <b>CalPERS Plan</b>	
	<u><b>2015</b></u>
Contractually required contribution (actuarially determined)	\$ 8,404,663
Contributions in relation to the contractually required contributions	<u>(8,404,663)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 71,316,255
Contributions as a percentage of covered-employee payroll	11.8%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

## **SUPPLEMENTARY INFORMATION SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
<b>DIRECT FEDERAL AWARDS</b>			
<b>U.S. Department of Education:</b>			
Student Financial Assistance Programs Cluster:			
Pell Grant	N/A	84.063	\$ 76,733,989
Supplemental Education Opportunity Grants	N/A	84.007	2,078,186
College Work Study	N/A	84.033	1,690,542
Federal Direct Loans	N/A	84.268	21,304,668
Subtotal for Student Financial Assistance Programs Cluster			101,807,385
TRIO Student Support Services	N/A	84.042A	209,571
Total U.S. Department of Education			102,016,956
<b>Other Direct Programs:</b>			
U.S. Department of Health And Human Services:			
Medical Assistance Program	N/A	93.778	15,873
U.S. Department of Veteran Affairs			
Vocational and Educational Counseling for Service Members and Veterans	N/A	64.125	21,070
U.S. Corporation for National and Community Service			
AmeriCorps (National Service Trust Grant)	N/A	94.006	285,634
U.S. Department of Agriculture			
Rural Business Enterprise Grant	04-034-655024951	10.769	19,414
Total Other Direct Programs			341,991
<b>FEDERAL AWARD PASSED THROUGH OTHER AGENCIES</b>			
<b>U.S. Department of Education:</b>			
Passed Through California Department of Education (CDE):			
Vocational and Applied Technology Education Act - Title IC - Basic Grants	14-C01-028	84.048	2,746,673
Vocational and Applied Technology Education Act - Title IC - Basic Grants	13-C01-028	84.048	116,353
Vocational and Applied Technology Education Act - Title II - Tech Prep Education	14-112-028	84.243	173,076
Subtotal Vocational and Applied Technology Education Act passed through CDE			3,036,102
Passed Through Butte Community College (BCC):			
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	1,475
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	4,180
Vocational and Applied Technology Education Act - Title IB - State Leadership	N/A	84.048	1,181
Subtotal Vocational and Applied Technology Education Act passed through BCC			6,836
Total Vocational and Applied Technology Education Act			3,042,938
Passed Through Department of Rehabilitation			
Workability III	28835	84.126A	211,465
College to Career	29343	84.126A	217,599
Subtotal Vocational Rehabilitation			429,064
Total U.S. Department of Education			3,472,002

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
<b>U.S. Small Business Administration:</b>			
Passed Through CSU Chico Research Foundation: Small Business Development 2014	Sub 14-007	59.037	<u>9,607</u>
Passed Through California Community Colleges Chancellor's Office: State Trade Export Promotion	F12-0055	59.061	<u>54,498</u>
Total U.S. Small Business Administration			<u>64,105</u>
<b>U.S. Department of Health And Human Services:</b>			
Passed Through San Francisco Community College: California Early Childhood Mentor Program	CN140097	93.575	12,700
California Mentor Large Area Grant	CN140097	93.575	917
Subtotal San Francisco Community College			<u>13,617</u>
Passed Through Yosemite Community College: Child Care Access	14-15-7694	93.575	28,900
Child Care Access	14-15-4821	93.575	13,850
Child Care Access	14-15-601403	93.575	9,375
Child Care Access	14-15-4114	93.575	17,813
Subtotal Yosemite Community College			<u>69,938</u>
Passed Through California Community College Chancellor's Office: Vocational and Applied Technology Education Act - Title IVE - Foster Care Program	N/A	93.658	165,207
Temporary Assistance for Needy Families	DHA-CW-232-15	93.558	411,877
Subtotal California Community College Chancellor's Office			<u>577,084</u>
Passed through Foundation for California Community Colleges: Independent Living Program	N/A	93.674	21,403
Passed Through County of Sacramento Human Assistance: Temporary Assistance for Needy Families - Work Study	DHA-CW-232-15	93.558	<u>516,309</u>
Total U.S. Department of Health and Human Services			<u>1,198,351</u>
<b>U.S. Department of Labor:</b>			
Passed Through Sacramento Employment Training Agency (SETA): WIA Adult Program	098216UTL	17.258	<u>68,067</u>
<b>U.S. Department of Agriculture:</b>			
Passed Through California Department of Education: Child Care Food Program	1502-3A	10.558	<u>99,497</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$107,260,969</u></u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2015

	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	
<b>STATE PROGRAMS</b>								
<b>CATEGORICAL APPORTIONMENTS</b>								
Extended Opportunity Program & Services	\$ 3,369,918	\$ 2,716	\$ 3,372,634	\$ 3,372,634	\$ -	\$ 11,986	\$ 3,360,648	\$ 3,360,648
Cooperative Agency Resource Education	438,274	-	438,274	438,274	-	1,478	436,796	436,796
Disabled Students Program & Services	4,991,460	33,355	5,024,815	5,024,814	-	177,886	4,846,928	4,846,928
Board financial assistance	2,917,385	3,495	2,920,880	2,920,880	-	-	2,920,880	2,920,880
Economic development	1,387,636	175,499	1,563,135	591,311	683,959	-	1,275,270	1,275,270
Career Technical Education	2,220,424	1,173,987	3,394,411	1,701,181	734,804	413,740	2,022,245	2,022,245
Equal employment opportunity	16,867	18,120	34,987	29,654	-	-	29,654	29,654
Student Success and Support Program (SSSP)	9,303,224	373,327	9,676,551	9,676,548	-	3,541,334	6,135,214	6,135,214
Student Equity	3,249,977	-	3,249,977	3,249,977	-	2,332,916	917,061	917,061
Calworks	1,746,511	(64)	1,746,447	1,744,511	1,852	64	1,746,299	1,746,299
State Instructional Materials Grant	3,316,171	456,679	3,772,850	3,763,469	9,381	481,151	3,291,699	3,291,699
AB86 Adult Education	-	633,189	633,189	569,870	-	129,377	440,493	440,493
<b>Subtotal</b>	<u>32,957,847</u>	<u>2,870,303</u>	<u>35,828,150</u>	<u>33,083,123</u>	<u>1,429,996</u>	<u>7,089,932</u>	<u>27,423,187</u>	<u>27,423,187</u>
<b>CATEGORICAL PROGRAM ALLOWANCES</b>								
Cal Grant	4,800,000	-	4,800,000	5,558,512	4,738	4,115	5,559,135	5,559,135
CDF Tax Bailout	180,826	-	180,826	11,362	-	-	11,362	11,362
CDC Food Program	6,000	-	6,000	(6,810)	11,519	-	4,709	4,709
CDC California Child Care	1,092,849	-	1,092,849	897,117	105,714	-	1,002,831	1,002,831
Capital Outlay Projects	13,524,010	1,944,975	15,468,985	6,820,966	99,317	4,606,086	2,314,197	2,314,197
Foster Care Program	177,213	505	177,718	518	177,123	-	177,641	177,641
Transition Aged Foster Youth	-	3,131	3,131	3,031	-	-	3,031	3,031
First Five Sacramento Commission - Lactation	3,322	-	3,322	-	3,322	-	3,322	3,322
Other	3,945,023	817,312	4,762,335	1,478,264	525,739	420,188	1,583,815	1,583,815
<b>Subtotal</b>	<u>23,729,243</u>	<u>2,765,923</u>	<u>26,495,166</u>	<u>14,762,960</u>	<u>927,472</u>	<u>5,030,389</u>	<u>10,660,043</u>	<u>10,660,043</u>
<b>Total State Programs</b>	<u>\$ 56,687,090</u>	<u>\$ 5,636,226</u>	<u>\$ 62,323,316</u>	<u>\$ 47,846,083</u>	<u>\$ 2,357,468</u>	<u>\$ 12,120,321</u>	<u>\$ 38,083,230</u>	<u>\$ 38,083,230</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2015

### STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligible for 2014-15 State apportionment reported to the State of California as of June 30, 2015, are summarized below:

<u>Categories</u>	<u>Reported Data</u>	<u>Adjustments</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2014 only)</b>			
1. Noncredit	19.38	0.00	19.38
2. Credit	2,977.18	0.00	2,977.18
<b>B. Summer Intersession (Summer 2015 – Prior to July 1, 2015)</b>			
1. Noncredit	0.00	0.00	0.00
2. Credit	2,749.58	0.00	2,749.58
<b>C. Primary Terms (Exclusive of Summer Intersession):</b>			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	35,600.08	0.00	35,600.08
(b) Daily Census Contact Hours	2,417.99	0.00	2,417.99
2. Actual Hours of Attendance Courses:			
(a) Noncredit	224.82	0.00	224.82
(b) Credit	2,380.43	0.00	2,380.43
3. Alternative Attendance Accounting Procedure:			
(a) Weekly Census Procedure Hours	4,641.12	0.00	4,641.12
(b) Daily Census Procedure Hours	1,429.57	0.00	1,429.57
(c) Noncredit Independent Study/Distance Education Courses	0.00	0.00	0.00
<b>D. Total FTES</b>	<b>52,170.15</b>	<b>0.00</b>	<b>52,170.15</b>
<u>Supplemental Information</u>			
<b>E. In-Service Training Courses FTES</b>	1,302.13	0.00	1,302.13
<b>H. Basic Skills Courses and Immigrant Education</b>			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,359.31	0.00	3,359.31
<u>CCFS 320 Addendum</u>			
CCDCP Noncredit FTES	0.00	0.00	0.00
<b>Centers FTES</b>			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	4,462.96	0.00	4,462.96

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2015

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
Instructional Salaries							
Contract or Regular	1100	\$ 66,480,377	\$ -	\$ 66,480,377	\$ 66,480,377	\$ -	\$ 66,480,377
Other	1300	35,251,777	-	35,251,777	35,251,777	-	35,251,777
Total Instructional Salaries		<u>101,732,154</u>	<u>-</u>	<u>101,732,154</u>	<u>101,732,154</u>	<u>-</u>	<u>101,732,154</u>
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	25,352,791	-	25,352,791
Other	1400	-	-	-	1,921,746	-	1,921,746
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,274,537</u>	<u>-</u>	<u>27,274,537</u>
<b>Total Academic Salaries</b>		<u>101,732,154</u>	<u>-</u>	<u>101,732,154</u>	<u>129,006,691</u>	<u>-</u>	<u>129,006,691</u>
<b>CLASSIFIED SALARIES</b>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	47,268,623	-	47,268,623
Other	2300	-	-	-	3,996,457	-	3,996,457
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>51,265,080</u>	<u>-</u>	<u>51,265,080</u>
Instructional Aides							
Regular Status	2200	5,160,939	-	5,160,939	5,160,939	-	5,160,939
Other	2400	628,212	-	628,212	628,212	-	628,212
Total Instructional Aides		<u>5,789,151</u>	<u>-</u>	<u>5,789,151</u>	<u>5,789,151</u>	<u>-</u>	<u>5,789,151</u>
<b>Total Classified Salaries</b>		<u>5,789,151</u>	<u>-</u>	<u>5,789,151</u>	<u>57,054,231</u>	<u>-</u>	<u>57,054,231</u>
Employee Benefits	3000	28,909,321	-	28,909,321	58,964,377	-	58,964,377
Supplies and Materials	4000	-	-	-	3,726,434	-	3,726,434
Other Operating Expenses	5000	2,476,039	-	2,476,039	20,373,715	-	20,373,715
Equipment Replacement	6420	-	-	-	-	-	-
<b>TOTAL EXPENDITURES PRIOR TO EXCLUSIONS</b>		<u>138,906,665</u>	<u>-</u>	<u>138,906,665</u>	<u>269,125,448</u>	<u>-</u>	<u>269,125,448</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION (CONTINUED) YEAR ENDED JUNE 30, 2015

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
<b>Activities to Exclude:</b>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude:</b>							
Rents and Leases	5060	-	-	-	993,258	-	993,258
Lottery Expenditures							
Academic Salaries	1000	2,157,490	-	2,157,490	2,735,917	-	2,735,917
Classified Salaries	2000	109,451	-	109,451	1,116,356	-	1,116,356
Employee Benefits	3000	400,048	-	400,048	679,813	-	679,813
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional Supplies & materials	4400	-	-	-	-	-	-
Total Supplies and Materials							
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment Replacement	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
		<u>2,666,989</u>	<u>-</u>	<u>2,666,989</u>	<u>5,525,344</u>	<u>-</u>	<u>5,525,344</u>
<b>TOTAL EXCLUSIONS</b>		<u>2,666,989</u>	<u>-</u>	<u>2,666,989</u>	<u>5,525,344</u>	<u>-</u>	<u>5,525,344</u>
Total for ECS 84362, 50% Law		<u>\$ 136,239,676</u>	<u>\$ -</u>	<u>\$ 136,239,676</u>	<u>\$ 263,600,104</u>	<u>\$ -</u>	<u>\$ 263,600,104</u>
Percent of CEE (Instructional Salary Cost / Total CEE)		51.68%		51.68%	100%		100%
50% of Current Expense of Education					131,800,052		131,800,052

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2015

### Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$47,794,800
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	<u>\$47,794,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>47,794,800</u>
Total Expenditures for EPA*		<u>\$47,794,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>47,794,800</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, 2015**

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**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, 2015

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### 1. PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2015, 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. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

This Reconciliation of ECS 84362 (50 Percent Law) Calculation shows the annual reported data 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.

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - 2015 ACTUAL TO 2016 BUDGET - GENERAL FUND YEAR ENDED JUNE 30, 2015

	<u>2014-15 Actual</u>	<u>2015-16 Adopted Budget</u>	<u>Change Increase (decrease)</u>
<b>REVENUE</b>			
Federal	\$ 6,758,994	\$ 6,509,248	\$ (249,746)
State	234,220,864	294,801,158	60,580,294
Local	89,393,329	95,795,693	6,402,364
Other	<u>6,660</u>	<u>10,219</u>	<u>3,559</u>
Total revenue	<u>330,379,847</u>	<u>397,116,318</u>	<u>66,736,471</u>
<b>EXPENDITURES</b>			
Certificated salaries	134,903,582	152,563,878	17,660,296
Classified salaries	74,708,979	82,678,208	7,969,229
Employee benefits	64,990,161	72,900,880	7,910,719
Books, supplies, and materials	6,317,216	15,725,230	9,408,014
Contract services and operating expenditures	27,001,690	55,266,684	28,264,994
Auxiliary activities/payments to students	9,287	7,728	(1,559)
Capital outlay	<u>8,321,873</u>	<u>11,960,246</u>	<u>3,638,373</u>
Total expenditures	<u>316,252,788</u>	<u>391,102,854</u>	<u>74,850,066</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,127,059</u>	<u>6,013,464</u>	<u>(8,113,595)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer in	1,229,912	1,151,932	(77,980)
Operating transfer out	<u>(11,534,228)</u>	<u>(25,674,480)</u>	<u>(14,140,252)</u>
Total other financing sources (uses)	<u>(10,304,316)</u>	<u>(24,522,548)</u>	<u>(14,218,232)</u>
<b>EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	3,822,743	(18,509,084)	(22,331,827)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>35,035,899</u>	<u>38,858,642</u>	<u>3,822,743</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 38,858,642</u>	<u>\$ 20,349,558</u>	<u>\$ (18,509,084)</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND JUNE 30, 2015

	Governmental Fund Types					Proprietary Fund Types			Total	Adjustments	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency			
<b>ASSETS</b>											
Current Assets:											
Cash and cash equivalents	\$ 63,215,416	\$ 134,688	\$ 3,059,922	\$ 114,126,227	\$ 19,355,542	\$ 1,984,918	\$ 9,661,300	\$ 475,294	\$ 212,013,307	\$ (41,471,642)	\$ 170,541,665
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	80,614,535	80,614,535
Short-term investments	-	-	223,433	-	-	-	-	220,035	443,468	-	443,468
Accounts receivable, net	10,958,583	117,233	109,063	991,400	58,787	1,909,418	-	-	14,144,484	220,577	14,365,061
Interest receivable	107,612	1,005	1,720	300,435	116,305	1,212	18,990	183	547,462	-	547,462
Inventory	-	-	-	-	-	2,322,702	-	-	2,322,702	-	2,322,702
Prepaid expenditures	3,797,141	-	-	-	-	49,927	10,783	-	3,857,851	-	3,857,851
Net OPEB asset	-	-	-	-	-	-	-	-	-	3,200,000	3,200,000
Due from other funds	7,528,678	271,105	-	1,553,329	376,773	255,977	31,165	5,038	10,022,065	(10,022,065)	-
<b>Total Current Assets</b>	<u>85,607,430</u>	<u>524,031</u>	<u>3,394,138</u>	<u>116,971,391</u>	<u>19,907,407</u>	<u>6,524,154</u>	<u>9,722,238</u>	<u>700,550</u>	<u>243,351,339</u>	<u>32,541,405</u>	<u>275,892,744</u>
Noncurrent Assets:											
Long-term investments	-	-	-	108,298	567,055	6,568,278	-	-	7,243,631	(672,884)	6,570,747
Restricted investments	-	-	-	11,927,000	39,140,879	-	-	-	51,067,879	(38,463,825)	12,604,054
Capital assets, net	-	-	-	-	-	582,458	-	-	582,458	665,863,072	666,445,530
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,035,298</u>	<u>39,707,934</u>	<u>7,150,736</u>	<u>-</u>	<u>-</u>	<u>58,893,968</u>	<u>626,726,363</u>	<u>685,620,331</u>
<b>TOTAL ASSETS</b>	<u>85,607,430</u>	<u>524,031</u>	<u>3,394,138</u>	<u>129,006,689</u>	<u>59,615,341</u>	<u>13,674,890</u>	<u>9,722,238</u>	<u>700,550</u>	<u>302,245,307</u>	<u>659,267,768</u>	<u>961,513,075</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>											
Deferred amount on refunding	-	-	-	-	-	-	-	-	-	5,650,456	5,650,456
Deferred outflows of resources related to pensions	-	-	-	-	-	-	-	-	-	18,978,173	18,978,173
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,628,629</u>	<u>24,628,629</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 85,607,430</u>	<u>\$ 524,031</u>	<u>\$ 3,394,138</u>	<u>\$ 129,006,689</u>	<u>\$ 59,615,341</u>	<u>\$ 13,674,890</u>	<u>\$ 9,722,238</u>	<u>\$ 700,550</u>	<u>\$ 302,245,307</u>	<u>\$ 683,896,397</u>	<u>\$ 986,141,704</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND (Continued) JUNE 30, 2015

	Governmental Fund Types					Proprietary Fund Types			Total	Adjustments	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency			
<b>LIABILITIES</b>											
Current Liabilities:											
Accounts payable	\$ 6,827,119	\$ 2,652	\$ 1,980	\$ 1,879,691	\$ -	\$ 362,747	\$ 325,831	\$ 6,661	\$ 9,406,681	\$ -	\$ 9,406,681
Accrued salaries and related benefits	19,656,023	88,144	-	-	-	98,537	8,741	-	19,851,445	-	19,851,445
Interest payable	-	-	17	455,653	8,567,715	-	-	-	9,023,385	-	9,023,385
Unearned revenue	17,294,852	-	4,647	4,606,085	-	767,147	-	-	22,672,731	-	22,672,731
Compensated absences	343,554	84,099	-	-	15,946,154	194,631	20,174	-	16,588,612	(11,523,657)	5,064,955
Other accrued liabilities	296,002	-	-	-	1,349	14,939	460,135	-	772,425	222,795	995,220
Amounts held on behalf of others	556,409	-	-	-	-	221,327	-	693,804	1,471,540	-	1,471,540
Long-term debt	-	-	-	-	-	-	-	-	-	12,554,095	12,554,095
Due to other funds	1,774,829	47,864	2,065,930	620,660	4,288,285	1,023,451	203,179	85	10,024,283	(10,024,283)	-
<b>Total Current Liabilities</b>	<u>46,748,788</u>	<u>222,759</u>	<u>2,072,574</u>	<u>7,562,089</u>	<u>28,803,503</u>	<u>2,682,779</u>	<u>1,018,060</u>	<u>700,550</u>	<u>89,811,102</u>	<u>(8,771,050)</u>	<u>81,040,052</u>
Noncurrent Liabilities:											
Compensated absences	-	-	-	-	-	-	-	-	-	11,523,657	11,523,657
Claims liability	-	-	-	-	-	-	8,704,178	-	8,704,178	-	8,704,178
Net Pension Liability	-	-	-	-	-	-	-	-	-	219,893,557	219,893,557
Long-term debt	-	-	-	-	-	-	-	-	-	370,552,126	370,552,126
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,704,178</u>	<u>-</u>	<u>8,704,178</u>	<u>601,969,340</u>	<u>610,673,518</u>
<b>TOTAL LIABILITIES</b>	<u>46,748,788</u>	<u>222,759</u>	<u>2,072,574</u>	<u>7,562,089</u>	<u>28,803,503</u>	<u>2,682,779</u>	<u>9,722,238</u>	<u>700,550</u>	<u>98,515,280</u>	<u>593,198,290</u>	<u>691,713,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Deferred inflows of resources related to pensions	-	-	-	-	-	-	-	-	-	61,106,285	61,106,285
<b>NET POSITION</b>											
Net investment in capital assets	-	-	-	-	-	582,458	-	-	582,458	326,833,416	327,415,874
Restricted for:											
Expendable											
Scholarships and loans	-	-	639,283	-	-	-	-	-	639,283	-	639,283
Capital projects and debt service	-	-	-	44,371,751	30,811,838	-	-	-	75,183,589	(33,523,568)	41,660,021
Other special purposes	4,078,567	-	322,149	-	-	-	-	-	4,400,716	3,200,000	7,600,716
Designated for:											
Reserve for non-cash assets ( Ppd, Revlvg, Invtry, etc.)											
Reserve for non-cash assets ( Ppd, Revlvg, Invtry, etc.)	3,915,741	-	100	-	-	2,584,521	-	-	6,500,362	-	6,500,362
Encumbrances & other commitments	16,290,000	-	-	-	-	-	-	-	16,290,000	-	16,290,000
Capital projects	-	-	-	60,567,659	-	7,867,844	-	-	68,435,503	-	68,435,503
Reserve for general fund shortfall	-	-	-	10,033,946	-	-	-	-	10,033,946	-	10,033,946
Unrestricted/ general contingency reserve	14,574,334	301,272	360,032	6,471,244	-	(42,712)	-	-	21,664,170	(266,918,026)	(245,253,856)
<b>TOTAL FUND BALANCE/NET POSITION</b>	<u>38,858,642</u>	<u>301,272</u>	<u>1,321,564</u>	<u>121,444,600</u>	<u>30,811,838</u>	<u>10,992,111</u>	<u>-</u>	<u>-</u>	<u>203,730,027</u>	<u>29,591,822</u>	<u>233,321,849</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION</b>											
	<u>\$ 85,607,430</u>	<u>\$ 524,031</u>	<u>\$ 3,394,138</u>	<u>\$ 129,006,689</u>	<u>\$ 59,615,341</u>	<u>\$ 13,674,890</u>	<u>\$ 9,722,238</u>	<u>\$ 700,550</u>	<u>\$ 302,245,307</u>	<u>\$ 683,896,397</u>	<u>\$ 986,141,704</u>

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION BY FUND YEAR ENDED JUNE 30, 2015

	Government Fund Types					Proprietary Fund Types		Total	Reconciling Adjustments/ Eliminations	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service			
<b>REVENUES:</b>										
Federal	\$ 6,758,994	\$ 92,452	\$ 99,907,671	\$ -	\$ -	\$ -	\$ -	\$ 106,759,117	\$ -	\$ 106,759,117
State	234,146,823	1,188,366	5,559,135	2,314,198	-	-	-	243,208,522	7,765,006	250,973,528
Local	89,002,880	108,114	206,557	621,748	20,246,968	1,114,242	-	111,300,509	(195,226)	111,105,283
Operation	341,269	-	-	-	-	18,278,207	6,925,197	25,544,673	(6,925,131)	18,619,542
Interest and other	129,881	631	1,077	334,063	503,766	16,481	4,998	990,897	(973,105)	17,792
Total revenues	<u>330,379,847</u>	<u>1,389,563</u>	<u>105,674,440</u>	<u>3,270,009</u>	<u>20,750,734</u>	<u>19,408,930</u>	<u>6,930,195</u>	<u>487,803,718</u>	<u>(328,456)</u>	<u>487,475,262</u>
<b>EXPENDITURES/EXPENSES:</b>										
Certificated salaries	134,903,582	-	-	-	-	-	-	134,903,582	-	134,903,582
Classified salaries	74,708,979	1,268,402	(202)	-	-	3,507,617	137,869	79,622,665	-	79,622,665
Employee benefits	64,990,161	713,253	(2)	-	-	989,793	54,560	66,747,765	12,326,426	79,074,191
Books, supplies and materials	6,317,216	106,898	35,974	12,369	-	196,448	-	6,668,905	(145,321)	6,523,584
Cost of goods sold	-	-	-	-	-	10,309,228	-	10,309,228	-	10,309,228
Contract services and operating expenses	27,001,690	13,387	225,219	2,704,482	-	4,134,121	6,737,766	40,816,665	(4,722,098)	36,094,567
Capital outlay	8,321,873	-	1,643	30,666,151	-	51,528	-	39,041,195	(39,041,195)	-
Depreciation	-	-	-	-	-	139,932	-	139,932	27,924,298	28,064,230
Auxiliary activities	9,287	-	107,609,195	15,193	30,858,907	-	-	138,492,582	(26,715,781)	111,776,801
Total expenditures/expenses	<u>316,252,788</u>	<u>2,101,940</u>	<u>107,871,827</u>	<u>33,398,195</u>	<u>30,858,907</u>	<u>19,328,667</u>	<u>6,930,195</u>	<u>516,742,519</u>	<u>(30,373,671)</u>	<u>486,368,848</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>14,127,059</u>	<u>(712,377)</u>	<u>(2,197,387)</u>	<u>(30,128,186)</u>	<u>(10,108,173)</u>	<u>80,263</u>	<u>-</u>	<u>(28,938,801)</u>	<u>30,045,215</u>	<u>1,106,414</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating transfers in	1,229,912	646,988	2,215,484	8,455,405	5,906,109	1,278,025	-	19,731,923	(19,731,923)	-
Operating transfers out	(11,534,228)	-	(45,000)	(1,686,579)	(5,421,116)	(1,045,000)	-	(19,731,923)	19,731,923	-
Total other financing sources (uses)	<u>(10,304,316)</u>	<u>646,988</u>	<u>2,170,484</u>	<u>6,768,826</u>	<u>484,993</u>	<u>233,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES</b>	<u>3,822,743</u>	<u>(65,389)</u>	<u>(26,903)</u>	<u>(23,359,360)</u>	<u>(9,623,180)</u>	<u>313,288</u>	<u>-</u>	<u>(28,938,801)</u>	<u>30,045,215</u>	<u>1,106,414</u>
<b>FUND BALANCE/NET POSITION, July 1, 2014</b>	<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>
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,798,776)</u>	<u>(261,798,776)</u>
<b>FUND BALANCE/NET POSITION, June 30, 2015</b>	<u>\$ 38,858,642</u>	<u>\$ 301,272</u>	<u>\$ 1,321,564</u>	<u>\$ 121,444,600</u>	<u>\$ 30,811,838</u>	<u>\$ 10,992,111</u>	<u>\$ -</u>	<u>\$ 203,730,027</u>	<u>\$ 29,591,822</u>	<u>\$ 233,321,849</u>

## **ADDITIONAL INFORMATION SECTION**

**LOS RIOS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS**  
**YEAR ENDED JUNE 30, 2015**

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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>
2014-15	\$ 4,944	\$ 53,212	\$ 263,068,169

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>
2014-15	\$ 13,109,867	\$ 12,973,800	99.0%

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

2014-15 assessed valuation	\$ 156,423,111,776
Less: Unsecured and Utility Assessment	<u>6,518,430,416</u>
Secured Assessed Valuation	<u>\$ 149,904,681,360</u>

<u>Property Owner</u>	<u>2014-15 Assessed Valuation</u>
1. Intel Corporation	\$ 544,861,935
2. Buzz Oates LLC	\$ 264,588,129
3. Donahue Schriber Realty Group LP	\$ 261,253,066
4. Target Corporation	\$ 213,861,647
5. Hines VAF II Sacramento Properties LP	\$ 207,840,609
6. Hines Sacramento Wells Fargo Center	\$ 206,543,650
7. Wal Mart Real Estate Bsns Trust	\$ 186,420,732
8. Apple Computer Inc.	\$ 170,789,847
9. Harsch Investment Properties LLC	\$ 168,712,892
10. Oakmont Properties	\$ 167,997,454

**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, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of Report**

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



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

**November 24, 2015**

**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, 2015. 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, 2015.

**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**

**November 24, 2015**

## **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, 2015.

#### ***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
- Intersession Extension Programs
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

***Opinion on State Compliance***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2015. 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**

**November 24, 2015**

## **FINDINGS AND RECOMMENDATIONS SECTION**

# LOS RIOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2015

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### 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>
84.063, 84.007, 84.033, 84.268	Student Financial Assistance Programs Cluster

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, 2015

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### *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, 2015**

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### **SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no financial statement findings reported.

### **SECTION III – FEDERAL COMPLIANCE**

There are no federal compliance findings reported.

### **SECTION IV – STATE COMPLIANCE**

There are no state compliance findings reported.

**LOS RIOS COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

**SECTION III – FEDERAL COMPLIANCE**

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

**SECTION IV - STATE COMPLIANCE**

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