

**LOS RIOS COMMUNITY
COLLEGE DISTRICT**

SACRAMENTO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

LOS RIOS COMMUNITY COLLEGE DISTRICT

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LOS RIOS COMMUNITY COLLEGE DISTRICT

ORGANIZATION YEAR ENDED JUNE 30, 2016

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>
Deborah Ortiz	President	2018
Ruth Scribner	Vice President	2016
Dustin Johnson	Member	2018
Pamela Haynes	Member	2016
Robert Jones	Member	2018
Kay Albiani	Member	2016
John Knight	Member	2016
Cameron Weaver	Student Trustee	2016

DISTRICT ADMINISTRATION

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

COLLEGE ADMINISTRATION

Dr. Thomas Greene President, American River College
Dr. Edward Bush 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, 2016, 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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefits, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 23, 2016, 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 23, 2016

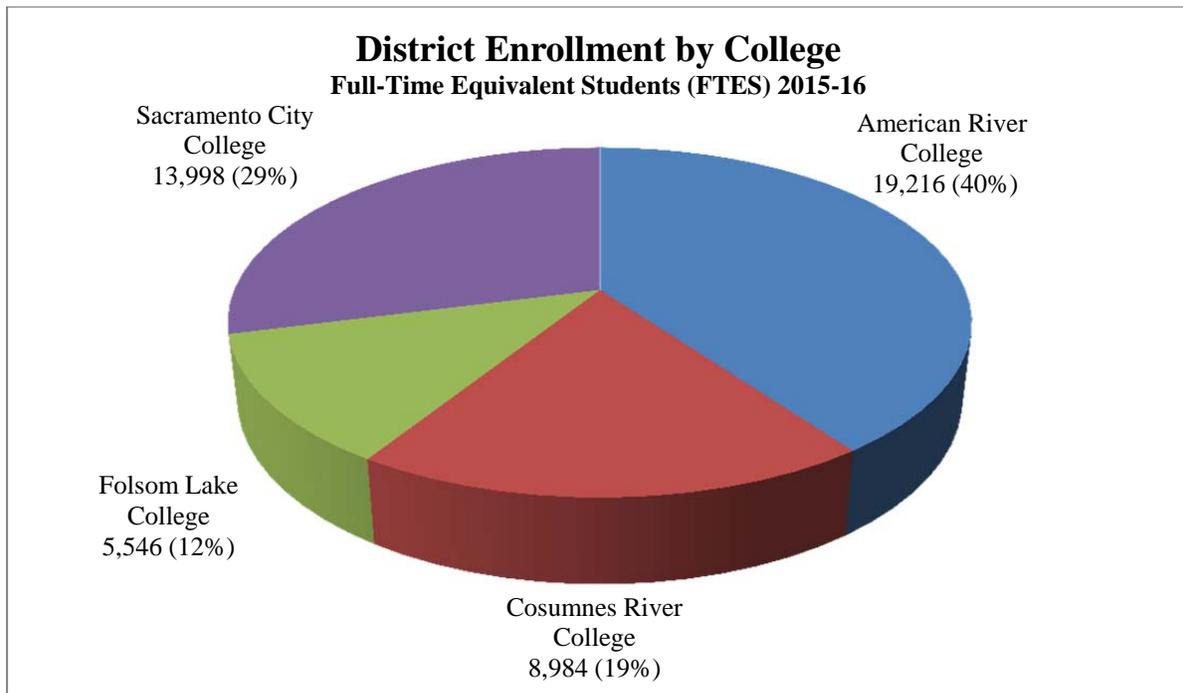
LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

DISTRICT BACKGROUND

The Los Rios Community College District (the District) celebrated 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. Founded in 1916, Sacramento City College, the seventh oldest public community college in California is celebrating its 100th anniversary. American River College, the largest of our four colleges, was founded in 1955. 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 six education centers in Davis, El Dorado, Elk Grove, Natomas, Rancho Cordova and West Sacramento. The Rancho Cordova Center, which opened in Fall 2015, was approved by the BOG as the sixth educational center in March 2016.

The District, which is the second largest community college district in California and one of the largest in the nation, has enrollment of nearly 78,000 students during our primary terms. 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, 2016

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 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 BTA model as the standard for all colleges to use and these statements are prepared accordingly.

FINANCIAL HIGHLIGHTS

The District did not achieve its base service level in 2015-16. As a consequence, the District will, for the first time in its history, be "in stability" for the completed fiscal year. Stability funding is for one year and means that a district is funded to its base service level in that fiscal year, regardless of the number of students actually served. A significant number of districts in the State are facing enrollment challenges due to relatively low unemployment and other external factors. The District is focused on increasing outreach and retention efforts in 2016-17 to achieve its base enrollment.

Despite the challenge of enrollment, the District closed the year recognizing \$283.4 million in general purpose revenue entitlement, \$19.5 million higher than 2014-15. This ongoing increase in entitlement was the result of a Cost of Living Adjustment (COLA) in 2015-16 of 1.02% as well as an increase in the basic allocation of \$1.1 million for the Elk Grove Center, an increase to base funding of \$12.8 million and an allocation of \$2.9 million for new faculty.

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. The EPA accounts for \$43.6 million of the \$283.4 million entitlement.

The State also funds several categorical programs, many of which are intended to provide support services for students and supplemental services for both the general and special student populations. The Student Success and Support Program (SSSP) was funded for \$12.3 million and Student Equity at \$6.4 million. Equity funds are directed at closing the achievement gaps amongst different student demographics.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The District received \$6.8 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 fourth consecutive year, providing the District \$1.5 million. In addition, the District received \$28.9 million unrestricted revenue for mandated cost claims filed in prior years.

The District continued to improve its facilities in 2015-16. 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	\$249.9 million
2008 Measure M	\$475.0 million	\$190.0 million	\$168.9 million

In April 2016, the District issued 2016 Refunding bonds for \$39,315,000. The issues refunded all but \$6,580,000 of 2002 Measure A, Series D bonds outstanding. The true interest cost of this refunding bond issue was 1.39% and will save the taxpayers approximately \$11.7 million (net present value) over the 11 year term of this new issue.

The District closed the year with unrestricted general fund reserves of \$51.3 million, or 16% of expenditures as well as available reserves in its Capital Outlay Projects fund. The increase in general fund balance is partially due to set-aside of dollars for future CalPERS and CalSTRS increases. The California Community College Chancellor's office recommends a prudent general fund unrestricted reserve of 5% of expenditures.

ATTENDANCE

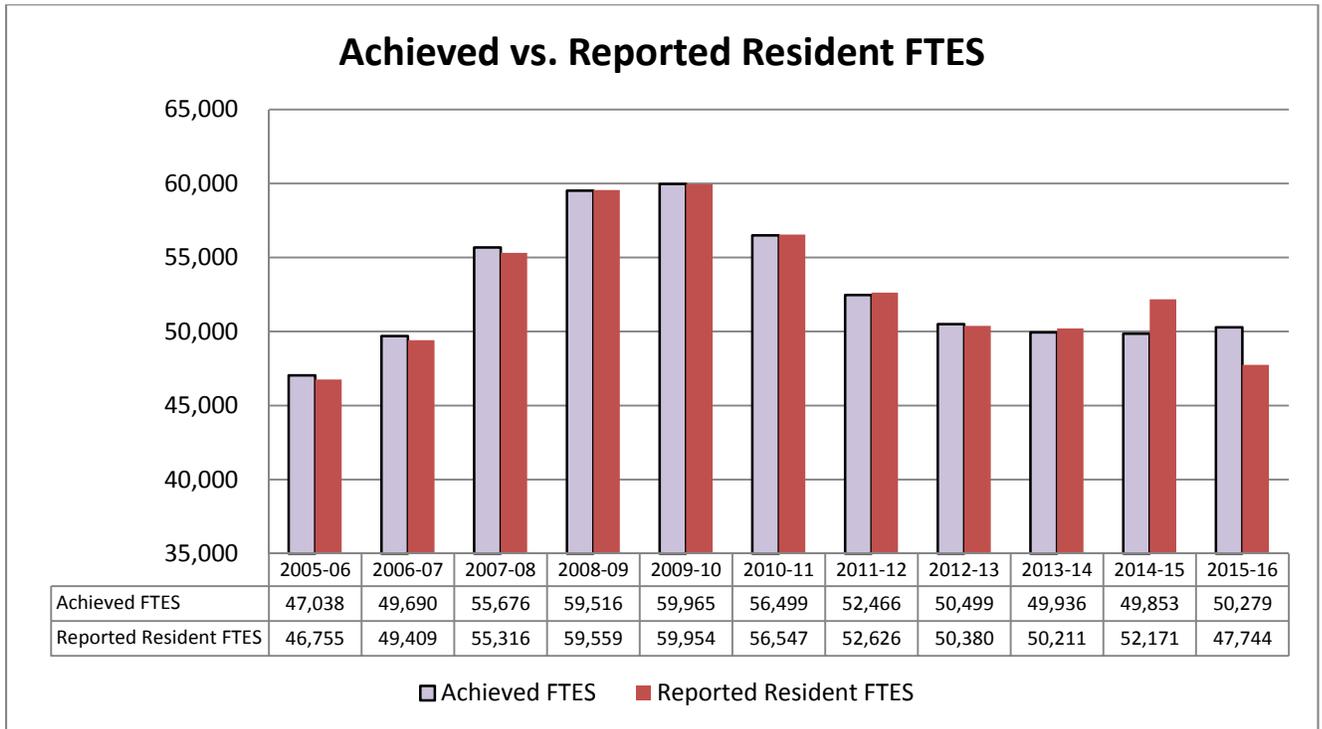
The District's attendance in 2015-16 increased slightly compared to 2014-15. The District reported some of its summer 2015 full-time equivalent students (FTES) in 2014-15 in order to qualify for available growth funding. This resulted in the 4% increase shown for 2014-15 below. The District did not shift any summer 2016 FTES to 2015-16.

Corresponding to 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 and 2015-16. However, due to many factors, including an improved job market, the demand for classes has not returned to the pre-reduction levels. Fall 2015 student headcount was 74,864 compared to 90,545 for Fall 2009, a decline of almost 17% over the last six years.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Los Rios Community College District Attendance History – Achieved vs. Reported Resident FTES



FINANCIAL STATEMENTS SUMMARY

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, implemented in 2014-15, 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 \$265 million, as of the measurement date of June 30, 2015. The implementation of GASB 68 is the reason for the large negative balance in the unrestricted net position shown on the balance sheet for 2016 (\$104 million).

The State provided on-behalf support payments for CalSTRS employees directly to CalSTRS as of June 30, 2015 in the amount of \$7.9 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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

	Net Position with GASB 68 2016	Net Position without GASB 68 2016	Net Position without GASB 68 2015
NET POSITION			
Net investment in capital assets	\$ 333,820,672	\$ 333,820,672	\$ 327,415,874
Restricted	40,417,940	40,417,940	49,900,020
Unrestricted	<u>(104,028,854)</u>	<u>158,868,826</u>	<u>118,027,624</u>
TOTAL NET POSITION	<u>\$ 270,209,758</u>	<u>\$ 533,107,438</u>	<u>\$ 495,343,518</u>

There is a plan to fully fund the CalSTRS unfunded pension liability. Legislation was enacted to increase employer contribution rates over seven years beginning in 2014-15. The rate will more than double going from 8.25% to 19.10%. The employer contribution rate for 2015-16 was 10.73%. Employee contributions will increase from the 2014-15 rate of 8.15% to 10.25% by 2016-17. 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 2014-15 rate of 11.771%. The employer contribution rate for 2015-16 was 11.847%.

For the year ended 2015-16, the District implemented GASB statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of this statement is to provide guidance for determining a fair value measurement for financial reporting of assets and liabilities. GASB 72 did not have a material impact on the District's financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

BALANCE SHEET

	2016	2015
ASSETS		
Current Assets	\$ 307,358,768	\$ 275,892,744
Noncurrent Assets:		
Restricted and long-term investments	13,349,660	19,174,801
Capital assets, net	<u>677,499,205</u>	<u>666,445,530</u>
Total Noncurrent Assets	<u>690,848,865</u>	<u>685,620,331</u>
TOTAL ASSETS	<u>998,207,633</u>	<u>961,513,075</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>38,623,705</u>	<u>24,628,629</u>
LIABILITIES		
Current Liabilities	93,583,499	81,040,052
Long-Term Liabilities, Noncurrent Portion	<u>647,238,566</u>	<u>610,673,518</u>
TOTAL LIABILITIES	<u>740,822,065</u>	<u>691,713,570</u>
DEFERRED INFLOWS OF RESOURCES	<u>25,799,515</u>	<u>61,106,285</u>
NET POSITION		
Net investment in capital assets	333,820,672	327,415,874
Restricted	40,417,940	49,900,020
Unrestricted	<u>(104,028,854)</u>	<u>(143,994,045)</u>
TOTAL NET POSITION	<u>\$ 270,209,758</u>	<u>\$ 233,321,849</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Balance Sheet Highlights

- Current assets increased by \$32 million (11%) over the prior year. This is primarily due to the receipt of mandated claims block grant funds to reduce the State's outstanding mandate debt, but which provided the District with one-time resources to address various needs, including offsetting future years increases in the employers CalPERS and CalSTRS benefit rates.
- Noncurrent Assets increased by \$5 million (1%). This increase was due to the capitalization of interest costs on general obligation bonds and was offset by a restricted investment sold in June.
- Deferred outflows of resources increased by \$14 million which were due to the issuance of the 2016 Refunding bond debt issued to refund almost all of the 2002 Measure A, Series D bonds. The difference between the reacquisition price of the refunding bonds versus the net carrying amount of the old debt is recorded as a deferred outflow. In addition, increases in deferred outflows from the CalPERS and CalSTRS pension liability made up the remaining increase.
- Current liabilities increased by \$13 million (15%) which were due to the increase in state agencies advanced categorical funding received but unearned, vendor accounts payables and regional transit fees collected recorded over the prior year.
- Long-term liabilities increased by \$37 million. The increase was due to the CalPERS and CalSTRS pension liabilities increasing over the prior year (\$22 million and \$23 million, respectively). This was mostly offset by the reduction in principal payments on outstanding debt of \$9 million made during the fiscal year.
- Deferred inflows of resources decreased by \$35 million and was solely due to the District's proportionate share of the changes in the actuarial assumptions as determined by CalPERS and CalSTRS, for the pension liability.
- Net position increased by \$37 million mostly due to the receipt of mandated claims block grant funds which were committed to pay for future IT infrastructure, equipment and other non-operational needs, as well as, future years' increases in employers CalPERS and CalSTRS benefit rates.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2016	2015
Operating Revenues:		
Net tuition and fees	\$ 27,432,361	\$ 25,577,758
Grants, contracts, and other designated revenues, noncapital	74,377,190	45,191,449
Auxiliary enterprise sales	17,973,695	19,241,277
Other operating income (payments)	<u>2,845,286</u>	<u>2,282,756</u>
Total Operating Revenue	122,628,532	92,293,240
Total Operating Expenses	<u>399,044,423</u>	<u>374,103,947</u>
Operating Income (Loss)	(276,415,891)	(281,810,707)
Nonoperating Revenues (Expenses):		
State apportionments, noncapital	166,577,116	147,276,740
Education protection account	43,733,807	47,794,800
Local property taxes	66,244,892	57,789,946
Lottery and other revenue	21,421,843	11,905,745
Investment income (expense)	638,106	578,142
Other nonoperating revenues (expenses)	<u>(3,838,449)</u>	<u>(2,560,287)</u>
Total Nonoperating Revenues (Expenses)	294,777,315	262,785,086
Income Before Other Revenues, Expenses, Gains, or Losses		
	18,361,424	(19,025,621)
Apportionment and property taxes, capital	22,141,584	24,567,718
Interest income (expense), capital	(3,995,314)	(4,138,840)
Grants and gifts, capital	155,107	299,130
Other income (expense)	<u>225,108</u>	<u>(595,973)</u>
Increase (Decrease) in Net Assets	36,887,909	1,106,414
Net Position - Beginning of Year	233,321,849	494,014,211
Cumulative Effect of Change in Accounting Principles/ Prior Period Adjustment	<u>-</u>	<u>(261,798,776)</u>
Net Position - Beginning of Year Adjusted	<u>233,321,849</u>	<u>232,215,435</u>
Net Position - End of Year	<u>\$ 270,209,758</u>	<u>\$ 233,321,849</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Revenue and Expense Highlights

- Grants, contracts and other designated revenues increased \$29 million (65%), due to the receipt of mandated claims block grant funds to reduce the State's outstanding mandate debt.
- Total Non-operating revenues (expenses) increased by \$32 million (12%) 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 \$2.4 million (10%). There was a decrease in the assessment of property taxes for the repayment of general obligation bonds from the prior year and a decrease in State Instructional Equipment Funds.
- 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 first year of the implementation of GASB 68.

OPERATING EXPENSES

	2016	2015
Operating Expenses (by Natural Classification)		
Compensation	\$ 230,222,137	\$ 214,526,247
Employee benefits	55,574,091	59,873,125
Pension expense (CalPERS & CalSTRS)	22,491,588	19,201,066
Supplies, materials, other operating expenses, and services	52,795,117	44,226,416
Utilities	8,580,374	8,212,863
Depreciation	<u>29,381,116</u>	<u>28,064,230</u>
Total Operating Expenses	<u>\$ 399,044,423</u>	<u>\$ 374,103,947</u>

Operating Expense Highlights

- Compensation increased by \$16 million (7%) due to continuing and one-time salary schedule improvements as well as for the increase in faculty from the prior year.
- Employee benefits decreased by \$4.3 million (7%). This primarily resulted from a change in the actuarial study for OPEB cost and offset by a modest increase in employer benefit costs.
- Pension expense increased \$3.3 million (17%). This represents the effect of recording the changes to the net pension liability over and above the prior year.
- Depreciation increased \$1.3 million (5%) due to newly constructed assets placed into service during the current year.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CASH FLOW

	2016	2015
Statement of Cash Flows		
Cash Provided (Used) By:		
Operating activities	\$ (237,051,768)	\$ (239,007,680)
Noncapital financing activities	<u>295,009,516</u>	<u>292,195,632</u>
Subtotal operating and noncapital financing activities	57,957,748	53,187,952
Capital and related financing activities	(33,390,211)	(23,014,865)
Investing activities	<u>5,662,625</u>	<u>12,864,602</u>
Net Increase in Cash	30,230,162	43,037,689
Cash - Beginning of the fiscal year	<u>251,156,200</u>	<u>208,118,511</u>
Cash - End of the fiscal year	<u>\$ 281,386,362</u>	<u>\$ 251,156,200</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 (\$4.8 million) was primarily due to an increase in property taxes received offset by decreases in the receipts for state apportionment and the EPA.
- Capital and related financing activities primarily represent capital expenditures and financing to support those activities. The increase (\$10.4 million) is primarily due to the reduction of property tax receipts to pay current year principal due on general obligation bonds offset by a decrease in capital asset spending versus the prior year.
- Investing activities primarily represent the investing and selling of available bond proceeds for capital expenditures. More investments were sold in 2015 versus 2016.

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. For 2016-17, Governor Brown's budget represents a cautious and pragmatic approach to spending. The watchword is "restraint" in light of a slow-growth economy and an uncertain revenue future.

The Governor signed the 2016-17 State Budget Act on June 27, 2016. For the District, the budget has \$33 million in funding augmentations, some continuing and some one-time. Continuing general purpose funds include growth (class sections), an augmentation to base funding, and a basic allocation increase specific to the Board of Governors approved educational center in Rancho Cordova. There is no COLA provided

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

in the enacted budget. Additionally, an appropriation was made to establish the Strong Workforce and Career Technical Education Pathways Programs, which enable colleges to work with businesses and high schools in coordinating career technical education courses to meet the regions labor market demands. One-time allocations include funding for Basic Skills Program, Scheduled Maintenance and Special Repairs as well as Instructional Equipment and Library Material, and funding to pay prior years' claims for mandated costs.

For Los Rios, the 2016-17 year should be stable. The general fund reserve is well above the required District Board of Trustees' and Chancellors Office's recommended prudent levels. The budget for 2015-16 did not require any reserves to support base operations. The same is true for 2016-17.

The Governor's budget includes a base augmentation of \$75 million, which was made in recognition of increased costs, specifically, the increase in retirement contributions. The District's share is \$3.6 million, of which a substantial portion has been set-aside toward the current and future year's increases to employer contributions for CalSTRS and CalPERS. Additional augmentations to the District's base allocation included \$1.1 million in funding for the newly approved Rancho Cordova Center.

As mentioned earlier, the District is focused on improving its enrollment. If the District is unable to report its base FTES level for 2016-17, the State will reduce its funding corresponding to the FTES short fall. Because it can report most of summer 2017 in the 2016-17 year, a reduction is unlikely. However, the goal is to achieve the enrollment in the fall and spring terms and reduce the reliance on shifting summer term enrollment.

The District will receive \$8.4 million in one-time funding for Physical Plant and Instructional Support. The allocation will be split 60% to maintain facilities and information technology infrastructure and 40% to update instructional equipment and library materials.

The enacted budget includes \$105.5 million for paying past mandate cost claims. The District anticipates receiving \$4.8 million. In recognition that there may be years where districts do not have sufficient on-going funds to pay the CalSTRS and CalPERS increases, districts are encouraged to use some of the mandate funds toward reserves for CalSTRS and CalPERS. 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 CalSTRS and CalPERS increase.

Beyond 2016-17, there was concern because the tax increases supporting the revenues generated by the Educational Protection Act (EPA), from 2012 Proposition 30, were temporary and set to expire in 2018. A significant share of community college base funding is now funded by the EPA. Proposition 55, however, was approved by the voters in this most recent November 8th election. This passage will extend the temporary personal income tax increase on high income taxpayers for twelve years through 2030. The sales tax increase, also part of Prop. 30, expires at the end of 2016 but only accounts for 20% of the total EPA.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 2015-16, State general fund was only providing 37% 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. Proposition 51 was approved by the voters in this most recent November 8th election. This proposition provides \$9 billion in bonds to fund construction and improvements for K-12 and community college facilities. Two billion of the total is slated for community colleges. The District has two major projects scheduled to be funded from this new authorization.

The District had a good 2015-2016 budget year. And as the District completes its celebration of its 50th anniversary this year, we continue to plan thoughtfully for the many challenges ahead and look forward to a promising 2016-17 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, 2016

ASSETS	<u>Primary Institution</u>	<u>Foundation</u>
Current assets:		
Cash and cash equivalents	\$ 217,949,519	\$ 580,797
Restricted cash and cash equivalents	63,436,843	-
Short-term investments	610,179	-
Accounts receivable, net	14,246,693	110,619
Interest receivable	1,223,524	-
Inventory	2,180,522	-
Prepaid expenses and other assets	4,511,488	6,000
Other postemployment benefit asset	3,200,000	-
Total current assets	<u>307,358,768</u>	<u>697,416</u>
Noncurrent assets:		
Long-term investments	6,740,842	10,935,675
Restricted investments	6,608,818	-
Pledged receivable, net	-	56,660
Nondepreciable capital assets	38,557,292	-
Depreciable capital assets, net	<u>638,941,913</u>	<u>-</u>
Total noncurrent assets	<u>690,848,865</u>	<u>10,992,335</u>
TOTAL ASSETS	<u>998,207,633</u>	<u>11,689,751</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	10,632,860	-
Deferred outflows of resources related to pensions	<u>27,990,845</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>38,623,705</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 1,036,831,338</u>	<u>\$ 11,689,751</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,945,034	\$ 399,564
Accrued salaries and related benefits	22,091,832	-
Interest payable	7,821,612	-
Unearned revenue	29,060,945	-
Compensated absences	5,476,756	-
Other accrued liabilities	1,171,547	-
Amounts held in trust for others	2,292,515	490
Long-term debt due within one year	<u>14,723,258</u>	<u>-</u>
Total current liabilities	<u>93,583,499</u>	<u>400,054</u>
Noncurrent liabilities:		
Compensated absences	11,388,389	-
Claims liability	8,807,549	-
Net pension liability	265,089,010	-
Long-term debt	<u>361,953,618</u>	<u>-</u>
Total noncurrent liabilities	<u>647,238,566</u>	<u>-</u>
TOTAL LIABILITIES	<u>740,822,065</u>	<u>400,054</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	<u>25,799,515</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	333,820,672	-
Restricted for:		
Nonexpendable:		
Scholarships	-	4,771,798
Expendable:		
Scholarships and loans	632,895	5,158,321
Capital projects	31,517,109	-
Other special purposes	8,267,936	-
Unrestricted (deficit)	<u>(104,028,854)</u>	<u>1,359,578</u>
TOTAL NET POSITION	<u>270,209,758</u>	<u>11,289,697</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,036,831,338</u>	<u>\$ 11,689,751</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, 2016

	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees (gross)	\$ 68,227,161	\$ -
Less: scholarship discounts and allowances	(40,794,800)	-
Net tuition and fees	27,432,361	-
Grants and contracts, noncapital:		
Federal	7,094,909	-
State	64,080,830	-
Local	3,201,451	-
Auxiliary enterprise sales and charges	17,973,695	-
Other operating income	2,845,286	-
TOTAL OPERATING REVENUES	122,628,532	-
OPERATING EXPENSES		
Salaries	230,222,137	6,692
Employee benefits	78,065,679	55
Supplies, materials, and other operating expenses and services	52,769,623	626,713
Utilities	8,580,374	-
Depreciation	29,381,116	-
Payments to students	25,494	561,286
TOTAL OPERATING EXPENSES	399,044,423	1,194,746
OPERATING LOSS	(276,415,891)	(1,194,746)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	166,577,116	-
Education protection account	43,733,807	-
Local property taxes	66,244,892	-
Lottery, state taxes and other revenues	21,421,843	-
Interest income, noncapital	653,825	192,576
Investment expense, noncapital	(15,719)	(319,936)
Financial aid revenues, federal	95,342,298	-
Financial aid revenues, state	7,341,696	-
Financial aid expenses	(106,846,968)	-
Other non-operating revenues - grants/gifts, non-capital	291,705	1,478,818
Other non-operating revenues - grants/gifts, misc.	32,820	-
TOTAL NON-OPERATING REVENUES	294,777,315	1,351,458
GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	18,361,424	156,712
CAPITAL ACTIVITIES		
State apportionments, capital	2,888,238	-
Local property taxes and revenues, capital	19,253,346	-
Interest income, capital	606,877	-
Investment loss, capital	(2,320)	-
Interest expense on capital asset-related debt	(3,995,314)	-
Debt service costs	(351,977)	-
Grants and gifts, capital	155,107	-
Loss from disposal of capital assets	(27,472)	-
INCREASE IN NET POSITION	36,887,909	156,712
NET POSITION -- BEGINNING OF YEAR	233,321,849	11,132,985
NET POSITION -- END OF YEAR	\$ 270,209,758	\$ 11,289,697

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 27,100,413	\$ -
Federal grants and contracts	7,304,702	-
State grants and contracts	61,168,324	-
Local grants and contracts	3,503,114	-
Payments to suppliers	(60,729,166)	(530,461)
Payments to/on behalf of employees	(296,968,473)	(6,198)
Payments to/on behalf of students	(25,494)	-
Auxiliary enterprise sales and charges	18,618,972	-
Other receipts (payments)	2,975,840	(1,185,826)
Net cash used by operating activities	(237,051,768)	(1,722,485)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	166,379,843	-
Education protection account receipts	43,733,807	-
Local property and state taxes, lottery and other state receipts	87,678,459	-
Gifts and grants for other than capital purposes	324,525	1,720,954
Financial aid, scholarship, loan trust receipts - federal	95,272,793	-
Financial aid, scholarship, loan trust receipts - state	7,782,104	-
Financial aid expenses	(106,846,968)	-
Student organization agency payments	815,508	-
Interest on noncapital investments	323,978	-
Investment income on noncapital investments	-	16
Interest paid on non-capital debt	(454,533)	-
Net cash provided by noncapital financing activities	295,009,516	1,720,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from refunding bond	39,315,000	-
Premium received on refunding bond	7,507,667	-
Payment to advance refund escrow agent	(6,108,491)	-
Debt service costs	(351,977)	-
State apportionments for capital purposes	2,902,343	-
Capital grants and gifts received	573,133	-
Purchases of capital assets	(29,691,457)	-
Principal payment on refunded bonds	(40,370,000)	-
Principal paid on capital debt	(9,725,000)	-
Interest paid on capital debt	(16,991,990)	-
Interest received on capital investments	238,428	-
Local property taxes and other revenues for capital	19,312,133	-
Net cash used by capital and related financing activities	(33,390,211)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	41,912,400	3,030,473
Interest and dividends on investments	22,234	279,341
Investment fees	-	(86,781)
Purchases of investments	(36,272,009)	(3,656,121)
Net cash provided (used) by investing activities	5,662,625	(433,088)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,230,162	(434,603)
CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR	251,156,200	1,015,400
CASH AND CASH EQUIVALENTS -- END OF YEAR	\$ 281,386,362	\$ 580,797

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, 2016

	Primary Institution	Foundation
RECONCILIATION TO BALANCE SHEET:		
Cash and cash equivalents	\$ 217,949,519	\$ 580,797
Restricted cash and cash equivalents	63,436,843	-
Total cash and cash equivalents	\$ 281,386,362	\$ 580,797
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (276,415,891)	\$ (1,194,746)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	29,381,116	-
Changes in assets and liabilities:		
Accounts receivable, net	(113,657)	(180,590)
Inventory	142,180	-
Other assets	(653,637)	(3,950)
Accounts payable	1,089,429	(343,748)
Accrued salaries and related benefits	2,240,387	549
Unearned revenue	5,943,967	-
Compensated absences	276,533	-
Net pension liability and related deferred inflows/outflows	876,011	-
Other liabilities and credits	181,794	-
Net cash used by operating activities:	\$ (237,051,768)	\$ (1,722,485)

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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, six official centers, and one satellite location 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, 2016

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, 2016, the District implemented GASB statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for determining a fair value measurement for financial reporting of assets and liabilities. The implementation of GASB 72 did not have a material effect on the financial statements. The additional disclosure requirements implemented with GASB 72 are included in Note 3.

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 at fair value per GASB 31. 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, 2016, the fair value of the County pool was 100.30% of the carrying value. The County does not invest in derivatives. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The District has obtained a collateralization contract with Bank of America whereby all deposits will be secured by collateral held by BNY Western Trust Company.

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

Short-Term Investments – The District is a voluntary participant in an investment pool managed by the State of California titled the Local Agency Investment Fund (LAIF). The value of the District's investment in LAIF is the fair value of the pool shares. As of June 30, 2016, the fair value of LAIF was 100.0621222% of the carrying value. The total fair value amount invested by all public agencies in LAIF at June 30, 2016 was \$22,712,084,628. LAIF is a part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2016, were \$75,497,087,667. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2016, totaling \$1,718,918,000, approximately 2.81% of the total portfolio. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Long-Term Investments – Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is determined from quoted market prices. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 \$203,881 at June 30, 2016.

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.

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, 2016 was \$10,218,512.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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.

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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*.

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).

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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.

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Future Accounting Pronouncements – 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, 2016, are classified in the accompanying balance sheet as follows:

Cash and cash equivalents	\$ 217,949,519
Restricted cash and cash equivalents	63,436,843
Short-term investments	610,179
Long-term investments	6,740,842
Restricted investments	<u>6,608,818</u>
Total cash, cash equivalents and investments	<u>\$ 295,346,201</u>

The District's cash, cash equivalents and investments as of June 30, 2016, consist of the following:

	<u>Fair Value</u>
Petty cash/cash awaiting deposit	<u>\$ 3,327,524</u>
Deposits with financial institutions	<u>5,539,455</u>
Pooled cash, cash equivalents and investments:	
County Treasury Pooled Investment Fund	272,519,383
Local Agency Investment Fund	7,351,021
Money Market Mutual Fund	<u>13,878</u>
Subtotal pooled cash, cash equivalents and investments	<u>279,884,282</u>
Investment securities:	
U.S. government agency securities:	
Federal Farm Credit Bank	547,784
Federal Home Loan Bank	<u>6,047,156</u>
Subtotal investment securities	<u>6,594,940</u>
Total cash, cash equivalents and investments	<u>\$ 295,346,201</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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, 2016, the District's bank balances were exposed to custodial credit risk as follows:

	Bank Balance
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	\$ 8,494,840

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 does not hold any investments that constitute 5% or more of its total investment balance.

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, 2016, is as follows:

Investment Type	Fair Value	Less Than 1	Maturity (in Years)	
			1-5	>5
County Treasury Pooled Investment Fund	\$ 272,519,383	\$ 272,519,383	\$ -	\$ -
Local Agency Investment Fund	7,351,021	7,351,021	-	-
Money Market Mutual Fund	13,878	13,878	-	-
Federal Farm Credit Bank	547,784	-	547,784	-
Federal Home Loan Bank	6,047,156	6,047,156	-	-
Totals	\$ 286,479,222	\$ 285,931,438	\$ 547,784	\$ -

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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.

Fair Value Measurement

GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The County Treasury Pooled Investment Fund, Local Agency Investment Fund and Money Market Mutual Fund are subject to fair value measurement; however, they are not subject to the fair value hierarchy. The Federal Home Loan Bank and Federal Farm Credit Bank are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

Federal grants and contracts	\$ 1,838,292
State grants and contracts	2,684,780
Local grants and contracts	344,432
State apportionment - noncapital	5,535,310
Auxiliaries	1,239,209
Tuition and fees, net (allowance of \$203,881)	1,309,232
Other	<u>1,295,438</u>
Total	<u>\$ 14,246,693</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Balance June 30, 2016</u>
Nondepreciated capital assets:				
Land	\$ 10,517,966	\$ -	\$ -	\$ 10,517,966
Construction in progress	52,928,879	15,623,263	(42,210,216)	26,341,926
Collectables	<u>1,693,500</u>	<u>3,900</u>	<u>-</u>	<u>1,697,400</u>
Total nondepreciated capital assets	<u>65,140,345</u>	<u>15,627,163</u>	<u>(42,210,216)</u>	<u>38,557,292</u>
Depreciated capital assets:				
Site improvements	64,801,976	6,929,396	-	71,731,372
Buildings and improvements	691,592,290	47,008,413	-	738,600,703
Equipment	139,171,215	12,570,405	(1,468,336)	150,273,284
Library books	<u>6,031,964</u>	<u>537,101</u>	<u>(574,889)</u>	<u>5,994,176</u>
Total depreciated capital assets	901,597,445	67,045,315	(2,043,225)	966,599,535
Less: accumulated depreciation	<u>(300,292,260)</u>	<u>(29,381,116)</u>	<u>2,015,754</u>	<u>(327,657,622)</u>
Total assets being depreciated	<u>601,305,185</u>	<u>37,664,199</u>	<u>(27,471)</u>	<u>638,941,913</u>
Total capital assets - net	<u>\$ 666,445,530</u>	<u>\$ 53,291,362</u>	<u>\$ (42,237,687)</u>	<u>\$ 677,499,205</u>

6. LONG-TERM DEBT

The long-term liability activity for the year ended June 30, 2016, is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Payments and Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
General obligation bonds	\$ 361,280,000	\$ 39,315,000	\$ (49,855,000)	\$ 350,740,000	\$ 10,640,000
Bond issuance premiums	20,630,011	7,507,667	(3,155,770)	24,981,908	3,832,016
Certificates of participation	1,190,000	-	(240,000)	950,000	250,000
Certificates of participation issuance premiums	<u>6,210</u>	<u>-</u>	<u>(1,242)</u>	<u>4,968</u>	<u>1,242</u>
Total	<u>\$ 383,106,221</u>	<u>\$ 46,822,667</u>	<u>\$ (53,252,012)</u>	<u>\$ 376,676,876</u>	<u>\$ 14,723,258</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

BOND DEBT

The outstanding general obligation bond debt as of June 30, 2016, is as follows:

	Original Issue	Refunding Issuance	Outstanding Balance
Measure A Bonds			
2002 Series A general obligation bonds, due in annual installments of \$575,000 to \$1,860,000 beginning February 1, 2003, through August 1, 2027, at interest from 3.40% to 6.40%. Subsequently, in October 2010, all the outstanding Series A Bonds totaling \$22,000,000 were refunded in substance with the issuance of \$21,025,000 of 2010 Refunding Bonds. Called bonds were retired on February 1, 2011.	\$ 27,500,000	\$ -	\$ -
2002 Series B general obligation bonds, due in annual installments of \$650,000 to \$4,345,000 beginning February 1, 2005, through August 1, 2028, at interest from 2.00% to 5.00%. Subsequently, in October 2011, and March 2012, all but \$2,175,000 of the bonds outstanding were refunded in substance with the issuances of the 2011 and 2012 Refunding Bonds.	65,000,000	-	-
2002 Series C general obligation bonds, due in annual installments of \$1,680,000 to \$4,620,000 beginning February 1, 2007, through August 1, 2030, at interest from 4.25% to 5.25%. Subsequently, in March 2012, all but \$6,560,000 of the bonds outstanding were refunded in substance with the issuance of the 2012 Refunding Bonds.	70,000,000	-	-
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%. Subsequently, in April 2016, all but \$6,580,000 of the bonds outstanding were refunded in substance with the issuance of the 2016 Refunding Bonds.	55,000,000	-	6,580,000
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	-	18,950,000
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	16,170,000

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

	Original Issue	Refunding Issuance	Outstanding Balance
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	35,050,000
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	57,585,000
2016 Refunding Bonds, due in annual installments of \$525,000 to \$4,990,000 beginning August 1, 2016, through August 1, 2026, at interest from 2.00% to 5.00%.	-	39,315,000	39,315,000
Total Measure A Bonds	<u>237,500,000</u>	<u>163,455,000</u>	<u>173,650,000</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	-	119,090,000
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%.	<u>60,000,000</u>	<u>-</u>	<u>58,000,000</u>
Total Measure M Bonds	<u>190,000,000</u>	<u>-</u>	<u>177,090,000</u>
Total Measure A & M Bonds	<u>\$ 427,500,000</u>	<u>\$ 163,455,000</u>	<u>\$ 350,740,000</u>

Advance Refunding

On April 21, 2016, the District issued 2016 General Obligation Refunding Bonds (2002 Issue) in the amount of \$39,315,000, with interest rates ranging from 2% to 5%, to advance refund \$40,370,000 of the 2002 Series (Defeased Bonds.) The District completed the refunding to reduce debt service payments by \$16,460,159 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$11,660,252 in aggregate. The District defeased the bonds by placing proceeds of the 2016 Issue in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the Defeased Bonds are not included in the Statement of Net Position. On June 30, 2016, \$46,478,491 was held in escrow, which, together with the interest income earned, are expected to be sufficient to retire all refunded bonds including principal and accrued interest expense on August 1, 2016. As of June 30, 2016, the 2016 Issue principal balance outstanding was \$39,315,000.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

The refunded bonds are considered defeased in substance and, thus, neither the escrow funds nor the outstanding refunded bonds are included in the financial statements of the District as of June 30, 2016.

The outstanding general obligation bond debts mature as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 10,640,000	\$ 15,829,182	\$ 26,469,182
2018	15,720,000	15,703,013	31,423,013
2019	14,300,000	15,080,438	29,380,438
2020	15,420,000	14,425,313	29,845,313
2021	14,110,000	13,740,675	27,850,675
2022-2026	91,730,000	57,137,588	148,867,588
2027-2031	92,905,000	33,270,213	126,175,213
2032-2036	79,615,000	13,533,081	93,148,081
2037-2039	<u>16,300,000</u>	<u>1,064,625</u>	<u>17,364,625</u>
Total	<u>\$ 350,740,000</u>	<u>\$ 179,784,128</u>	<u>\$ 530,524,128</u>

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 fiscal year ended June 30, 2015, 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>
2017	\$ 250,000	\$ 39,223	\$ 289,223
2018	260,000	29,223	289,223
2019	275,000	18,563	293,563
2020	<u>165,000</u>	<u>7,013</u>	<u>172,013</u>
Total	<u>\$ 950,000</u>	<u>\$ 94,022</u>	<u>\$ 1,044,022</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, which commenced in September 2015, is for 51 years with the option to extend for two consecutive 5-year terms. The parking structure was completed and opened in June 2013.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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, 2016, was \$294,817. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payments</u>
2017	\$ 196,663
2018	201,187
2019	209,847
2020	<u>205,612</u>
Total	<u>\$ 813,309</u>

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

8. LEASE REVENUE BONDS

The District and the State of California have entered into financing arrangements under which the State provides funds for the construction of certain facilities. The funds are proceeds of lease revenue bonds issued by the State of California, Public Works Board (the Board). The bonds are a special obligation of the Board payable from State General Fund revenues appropriated to the California Community Colleges Board of Governors who therein make adequate provision in the annual budget of the State for the servicing of such bonds. However, in the unlikely event that the State could not pay the semi-annual installment payment, the District would be responsible for the payments attributable to the District's facilities. No amounts had been accrued for any contingent payments at June 30, 2016.

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

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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.

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 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, 2016, was 10.73% of annual pay. District contributions to the CalSTRS Plan were \$12,979,900 for the year ended June 30, 2016.

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%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437% in 2014-15 to 4.311% in 2016-17. The increased contributions end as of fiscal year 2046-47. The State contribution rate for the period ended June 30, 2016, was 7.125890% of the District's 2013-14 creditable CalSTRS compensation.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to the measurement date of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, 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 ⁽¹⁾	7.60%
Mortality ⁽²⁾	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple

⁽¹⁾ Net of investment expenses, but gross of administrative expenses.

⁽²⁾ 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.

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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	<u>100.00%</u>	

*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.

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2016, was 11.847% of annual pay. District contributions to the CalPERS Plan were \$8,635,679 for the year ended June 30, 2016.

Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return ⁽²⁾	7.65%
Mortality ⁽³⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽⁴⁾	Up to 2.75%

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment; includes inflation

⁽³⁾ 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 April 2014 experience study report.

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

All other actuarial assumptions used in the June 30, 2014 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.

Change in Assumption

GASB 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.650% 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The results of the crossover testing for the CalPERS Plan are presented in a detailed report that can be obtained from the CalPERS' website.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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. 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.

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10^(a)</u>	<u>Real Return Years 11+^(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

^(a) An expected inflation of 2.5% was used for this period.

^(b) An expected inflation of 3.0% was used for this period.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

As of June 30, 2016, 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	\$ 171,002,960
CalPERS Plan	94,086,050
State's proportionate share of CalSTRS net pension liability associated with the District	<u>90,496,390</u>
Total	<u>\$ 355,585,400</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, 2015, 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, 2015, was 0.254% and 0.6383% for the CalSTRS and CalPERS Plans, respectively, which was no change and an increase of 0.0088% from its proportion measured as of June 30, 2014 for CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2016, the District recognized pension expense of \$36,672,543 and revenue of \$14,180,191 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,377,158	\$ (2,857,500)
Changes in assumptions	-	(5,780,908)
Changes in proportion	998,108	-
Net differences between projected and actual investment earnings of pension plan investments	-	(17,161,107)
District contributions subsequent to measurement date	<u>21,615,579</u>	<u>-</u>
Total	<u>\$ 27,990,845</u>	<u>\$ (25,799,515)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

The \$21,615,579 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, 2017. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (8,402,051)
2018	(8,402,051)
2019	(8,402,559)
2020	6,755,127
2021	(476,069)
Thereafter	(476,647)

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:

	Discount Rate -1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 258,201,160	\$ 171,002,960	\$ 98,534,220
	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the CalPERS Plan's net pension liability	\$ 153,132,884	\$ 94,086,050	\$ 44,984,661

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, 2016, was \$254,376. Accounts are established in the name of each participant. Contributions are allocated directly to employee accounts. Participant

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

account balances are fully vested and nonforfeitable. Participant account balances will be paid in a single distribution or direct rollover to another eligible retirement plan designated by the participant upon retirement or other termination. PARS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PARS annual financial report may be obtained from PARS, 5141 California Avenue, Suite 150, Irvine, California 92617-3069.

10. DEFERRED COMPENSATION

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

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

The District also offers its employees deferred compensation plans in accordance with Internal Revenue Code, Section 457 (457 plans). The plans, available to eligible District employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying event. The assets of the 457 plans 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

The RHBP has 893 retirees receiving benefits and 2,154 active participants, of which 1,435 are not yet vested.

Funding Policy

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

The RHBP paid up to \$256 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, 2016, the District contributed \$3,200,000 to the Trust. The value of the accumulated assets in the Trust for the year ended June 30, 2016, was \$109,102,743.

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	\$ 3,599,665
Amortization of Unfunded Actuarial Accrued Liability (UAAL) due to asset and experience	(28,249,691)
Interest to fiscal year end	<u>(95,740)</u>
Annual required contribution (ARC)	-
Interest on Net OPEB Obligation	(160,000)
Adjustment to ARC	<u>3,360,000</u>
Annual OPEB Cost	3,200,000
Contributions to the Trust	<u>(3,200,000)</u>
Decrease in OPEB obligation	-
Net OPEB asset at July 1, 2015	<u>(3,200,000)</u>
Net OPEB asset at June 30, 2016	<u>\$ (3,200,000)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2016, 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, 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)
June 30, 2016	\$ 3,200,000	\$ 3,200,000	100%	\$ (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, 2016

Condensed Trust Financial Statements

The financial statements at June 30, 2016, for the Trust are presented below. The Trust does not issue a separate report.

Trust Statement of Net Position (Unaudited)

	<u>June 30, 2016</u>
Assets:	
Cash and cash equivalents	\$ 930,567
Long-term investments	<u>108,172,176</u>
Total assets	109,102,743
Accounts payable	<u>62,000</u>
Net position	<u>\$ 109,040,743</u>

Trust Statement of Changes in Net Position (Unaudited)

	<u>June 30, 2016</u>
Additions:	
Contributions	\$ 3,200,000
Investment income:	
Net realized and unrealized gains on investments	3,257,841
Dividends and interest	<u>717,760</u>
Total investment income	<u>3,975,601</u>
Total additions to net assets	<u>7,175,601</u>
Deductions:	
Benefit expenses	(1,880,720)
Administrative expenses	<u>(248,466)</u>
Total deductions from net position	<u>(2,129,186)</u>
Increase in net position	5,046,415
Net position – beginning of year	<u>103,994,328</u>
Net position – end of year	<u>\$ 109,040,743</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, 2016

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 \$9,509,655. 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, 2016

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 \$8,807,549 for liability, property, and workers' compensation claims. The liabilities for dental totaling \$475,011 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unpaid claims and claim adjustments – beginning of year	\$ 8,704,178	\$ 8,804,175
Incurred claims and claims adjustments:		
Provision for insured events of the current year	1,478,452	3,017,446
Increases (decreases) in provision for insured events of prior years	<u>(58,899)</u>	<u>(1,627,413)</u>
Total incurred claims and claim adjustments	<u>1,419,553</u>	<u>1,390,034</u>
Less payments:		
Claims and claim adjustments attributable to insured events of the current years	257,341	357,210
Claims and claim adjustments attributable to insured events of prior years	<u>1,058,841</u>	<u>1,132,820</u>
Total payments	<u>1,316,182</u>	<u>1,490,030</u>
Total unpaid claims and claim adjustments – end of year	<u>\$ 8,807,549</u>	<u>\$ 8,704,178</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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, 2016

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

	June 30, 2016	June 30, 2015
	<u>SELF</u>	<u>ASCIP</u>
Total Assets and Deferred Outflows	\$ 139,086,680	\$ 370,258,739
Total Liabilities and Deferred Inflows	<u>(117,552,059)</u>	<u>(212,691,038)</u>
Net Position	<u>\$ 21,534,621</u>	<u>\$ 157,567,701</u>
Total Revenues	\$ 13,898,598	\$ 228,708,274
Total Expenses	<u>(24,553,606)</u>	<u>(216,205,772)</u>
Net Increase (Decrease) in Net Position	<u>\$ (10,655,008)</u>	<u>\$ 12,502,502</u>

NCRPSTA

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

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

	<u>June 30, 2015</u>
Total Assets	\$ 6,362,364
Total Liabilities	<u>(52,101)</u>
Net Position	<u>\$ 6,310,263</u>
Total Revenues	\$ 1,948,098
Total Expenses	<u>(1,178,020)</u>
Net Decrease in Net Position	<u>\$ 770,078</u>

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/11	\$ 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, 2016
LAST 10 YEARS***

CalSTRS Plan	Measurement Date	
	2015	2014
District's proportion of the net pension liability	.254%	.254%
District's proportionate share of the net pension liability	\$ 171,002,960	\$ 148,429,980
State's proportionate share of the net pension liability associated with the District	90,496,390	89,605,779
Total	\$ 261,499,350	\$ 238,035,759
District's covered employee payroll	\$ 119,125,206	\$ 111,268,958
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	144%	133%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%

Notes to Schedule:

Change of benefit terms –There were no changes to the benefit terms.

Changes in assumptions –There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2016
LAST 10 YEARS***

CalPERS Plan

	Measurement Date	
	2015	2014
District's proportion of the net pension liability	.6383%	.6295%
District's proportionate share of the net pension liability	\$ 94,086,050	\$ 71,463,577
District's covered employee payroll	\$ 71,316,255	\$ 68,255,629
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	132%	105%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Notes to Schedule:

Change of benefit terms –There were no changes to the benefit terms.

Changes in assumptions – The discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of the June 30, 2015 measurement date to correct an adjustment which previously reduced the discount rate for administrative expenses. There were no changes in assumptions for the June 30, 2014 measurement date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AS OF JUNE 30, 2016 LAST 10 YEARS*

	Fiscal Year	
	2016	2015
Contractually required contribution (actuarially determined)	\$ 12,979,900	\$ 10,573,510
Contributions in relation to the contractually required contributions	<u>(12,979,900)</u>	<u>(10,573,510)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 126,872,601	\$ 119,125,206
Contributions as a percentage of covered-employee payroll	10.2%	8.9%

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AS OF JUNE 30, 2016 LAST 10 YEARS*

	Fiscal Year	
	2016	2015
CalPERS Plan		
Contractually required contribution (actuarially determined)	\$ 8,635,679	\$ 8,404,663
Contributions in relation to the contractually required contributions	<u>(8,635,679)</u>	<u>(8,404,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 76,206,257	\$ 71,316,255
Contributions as a percentage of covered-employee payroll	11.3%	11.8%

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
DIRECT FEDERAL AWARDS			
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:			
Pell Grant	N/A	84.063	\$ 74,414,836
Supplemental Education Opportunity Grants	N/A	84.007	2,382,177
College Work Study	N/A	84.033	1,756,015
Federal Direct Loans	N/A	84.268	19,112,470
Subtotal for Student Financial Assistance Programs Cluster			<u>97,665,498</u>
TRIO Student Support Services	P042A150960	84.042A	190,921
STEM Student Support Services	P042A150995	84.042A	122,251
Veterans Student Support Services	P042A150982	84.042A	16,011
Subtotal for Student Support Services - TRIO Cluster			<u>329,183</u>
Hispanic-Serving Institutions Program	P031S150200	84.031S	36,510
Total U.S. Department of Education			<u>98,031,191</u>
Other Direct Programs:			
U.S. Department of Health And Human Services:			
Medical Assistance Program	N/A	93.778	16,005
U.S. Department of Veteran Affairs:			
Vocational and Educational Counseling for Service Members and Veterans	N/A	64.125	20,407
U.S. Corporation for National and Community Service:			
AmeriCorps (National Service Trust Grant)	N/A	94.006	197,797
U.S. Department of Agriculture:			
Rural Business Enterprise Grant	04-034-655024951	10.769	60,463
International Trade Development	12-25-B-1657	10.170	23,116
Subtotal U.S. Department of Agriculture			<u>83,579</u>
U.S. Department of Labor Employment and Training Administration:			
Rural Business Enterprise Grant	AP-27832-15-60-A-6	17.268	223,670
Total Other Direct Programs			<u>541,458</u>
FEDERAL AWARD PASSED THROUGH OTHER AGENCIES			
U.S. Department of Education:			
Passed Through California Department of Education (CDE):			
Perkins Title 1, Part C	15-C01-028	84.048	2,693,090
Perkins CTE Transitions	16-112-230	84.048	180,476
Subtotal Perkins passed through CDE			<u>2,873,566</u>
Passed Through Butte Community College (BCC):			
Perkins Title 1, Part B	POB0021936	84.048	880
Perkins Title 1, Part B	POB0021937	84.048	1,500
Perkins Title 1, Part B	POB0021945	84.048	685
Subtotal Perkins passed through BCC			<u>3,065</u>
Total Perkins			<u>2,876,631</u>
Passed Through Department of Rehabilitation:			
Workability III	28835	84.126A	144,104
College to Career	29343	84.126A	204,316
Subtotal Vocational Rehabilitation			<u>348,420</u>
Total U.S. Department of Education			<u>3,225,051</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Identifying Number	Federal CFDA #	Program Expenditures
U.S. Small Business Administration:			
Passed Through California Community Colleges Chancellor's Office: State Trade Export Promotion	F15-00073	59.061	<u>8,729</u>
U.S. Department of Health And Human Services:			
CCDF Cluster			
Passed Through Chabot-Las Positas Community College:			
California Early Childhood Mentor Program	CN150142	93.575	12,842
California Mentor Large Area Grant	CN150142	93.575	<u>1,000</u>
Subtotal Chabot-Las Positas Community College			<u>13,842</u>
Passed Through Yosemite Community College:			
Child Care Access	15-16-7694	93.575	28,900
Child Care Access	15-16-4821	93.575	16,150
Child Care Access	15-16-601403	93.575	6,875
Child Care Access	15-16-4114	93.575	<u>20,400</u>
Subtotal Yosemite Community College			<u>72,325</u>
Total CCDF Cluster			<u>86,167</u>
Passed Through California Community College Chancellor's Office:			
Vocational and Applied Technology Education Act - Title IVE - Foster Care Program	N/A	93.658	<u>166,660</u>
TANF Cluster			
Passed Through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families	DHA-CW-232-16	93.558	387,277
Passed Through County of Sacramento Human Assistance:			
Temporary Assistance for Needy Families - Work Study	DHA-CW-232-16	93.558	<u>435,579</u>
Total TANF Cluster			<u>822,856</u>
Passed through Foundation for California Community Colleges:			
Independent Living Program	N/A	93.674	21,641
Total U.S. Department of Health and Human Services			<u>1,097,324</u>
U.S. Department of Social Services:			
Passed Through Foundation for Community Colleges:			
Youth Empowerment Strategies for Success Independent Living Program	CRC-YESS-03	93.674	<u>1,500</u>
U.S. Department of Agriculture:			
Passed Through California Department of Education:			
Child Care Food Program	1502-3A	10.558	<u>98,102</u>
U.S. Legislative Branch			
Passed through Open World Leadership:			
Family Health International	OWLC-1401	99.UNKNOWN	<u>6,732</u>
Total Expenditures of Federal Awards			<u>\$103,010,087</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2016

	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	
STATE PROGRAMS								
CATEGORICAL APPORTIONMENTS								
Extended Opportunity Program & Services	\$ 4,572,132	\$ 1,463	\$ 4,573,595	\$ 4,568,350	\$ -	\$ 8,910	\$ 4,559,440	\$ 4,559,440
Cooperative Agency Resource Education	732,587	-	732,587	724,867	-	-	724,867	724,867
Disabled Students Program & Services	4,984,332	119,034	5,103,366	4,974,020	-	82,986	4,891,034	4,891,034
Board financial assistance	2,964,256	-	2,964,256	2,958,554	-	-	2,958,554	2,958,554
Economic development	2,442,838	275,807	2,718,645	1,345,311	669,863	332,902	1,682,272	1,682,272
Career Technical Education	2,045,856	1,349,307	3,395,163	1,288,459	1,152,887	74,590	2,366,756	2,366,756
Equal employment opportunity	16,867	5,332	22,199	22,199	-	-	22,199	22,199
Student Success and Support Program (SSSP)	12,262,388	3,541,338	15,803,726	15,765,713	-	5,510,335	10,255,378	10,255,378
Student Equity	6,465,331	2,332,917	8,798,248	8,690,672	-	3,095,897	5,594,775	5,594,775
Calworks	1,730,400	4,760	1,735,160	1,724,784	224	-	1,725,008	1,725,008
State Instructional Materials Grant	3,380,637	481,152	3,861,789	3,861,787	-	1,774,823	2,086,964	2,086,964
AB86 Adult Education	-	192,696	192,696	192,696	-	-	192,696	192,696
Subtotal	<u>41,597,624</u>	<u>8,303,806</u>	<u>49,901,430</u>	<u>46,117,412</u>	<u>1,822,974</u>	<u>10,880,443</u>	<u>37,059,943</u>	<u>37,059,943</u>
CATEGORICAL PROGRAM ALLOWANCES								
Cal Grant	6,736,585	4,115	6,740,700	7,781,481	-	439,785	7,341,696	7,341,696
CDF Tax Bailout	189,175	-	189,175	189,175	-	186,261	2,914	2,914
CDC Food Program	6,000	-	6,000	3,978	496	-	4,474	4,474
CDC California Child Care	1,127,957	-	1,127,957	998,552	186,261	-	1,184,813	1,184,813
Capital Outlay Projects	4,873,234	13,191,056	18,064,290	9,878,948	-	6,170,539	3,708,409	3,708,409
Foster Care Program	178,213	1,458	179,671	970	177,878	-	178,848	178,848
First Five Sacramento Commission - Lactation	9,966	-	9,966	3,322	-	-	3,322	3,322
Other	1,161,948	3,170,104	4,332,052	1,866,183	591,363	366,204	2,091,342	2,091,342
Subtotal	<u>14,283,078</u>	<u>16,366,733</u>	<u>30,649,811</u>	<u>20,722,609</u>	<u>955,998</u>	<u>7,162,789</u>	<u>14,515,818</u>	<u>14,515,818</u>
Total State Programs	<u>\$ 55,880,702</u>	<u>\$ 24,670,539</u>	<u>\$ 80,551,241</u>	<u>\$ 66,840,021</u>	<u>\$ 2,778,972</u>	<u>\$ 18,043,232</u>	<u>\$ 51,575,761</u>	<u>\$ 51,575,761</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2016

STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligible for 2015-16 State apportionment reported to the State of California as of June 30, 2016, are summarized below:

<u>Categories</u>	<u>Reported Data</u>	<u>Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	16.18	0.00	16.18
2. Credit	1,089.93	0.00	1,089.93
B. Summer Intersession (Summer 2016 – Prior to July 1, 2016)			
1. Noncredit	0.00	0.00	0.00
2. Credit	233.21	0.00	233.21
C. Primary Terms (Exclusive of Summer Intersession):			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	34,863.09	0.00	34,863.09
(b) Daily Census Contact Hours	1,935.67	0.00	1,935.67
2. Actual Hours of Attendance Courses:			
(a) Noncredit	235.46	0.00	235.46
(b) Credit	2,499.38	0.00	2,499.38
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	5,113.58	0.00	5,113.58
(b) Daily Census Procedure Courses	1,757.99	0.00	1,757.99
(c) Noncredit Independent Study/Distance Education Courses	0.00	0.00	0.00
D. Total FTES	47,744.49	0.00	47,744.49
<u>Supplemental Information</u>			
E. In-Service Training Courses FTES	1,530.95	0.00	1,530.95
H. Basic Skills Courses and Immigrant Education			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,373.69	0.00	3,373.69
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	0.00	0.00	0.00
Centers FTES			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	5,519.77	0.00	5,519.77

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries							
Contract or Regular	1100	\$ 69,002,854	\$ -	\$ 69,002,854	\$ 69,002,854	\$ -	\$ 69,002,854
Other	1300	37,628,003	-	37,628,003	37,628,003	-	37,628,003
Total Instructional Salaries		<u>106,630,857</u>	<u>-</u>	<u>106,630,857</u>	<u>106,630,857</u>	<u>-</u>	<u>106,630,857</u>
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	27,080,721	-	27,080,721
Other	1400	-	-	-	2,014,549	-	2,014,549
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>29,095,270</u>	<u>-</u>	<u>29,095,270</u>
Total Academic Salaries		<u>106,630,857</u>	<u>-</u>	<u>106,630,857</u>	<u>135,726,127</u>	<u>-</u>	<u>135,726,127</u>
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	50,213,914	-	50,213,914
Other	2300	-	-	-	3,919,340	-	3,919,340
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>54,133,254</u>	<u>-</u>	<u>54,133,254</u>
Instructional Aides							
Regular Status	2200	5,367,878	-	5,367,878	5,367,878	-	5,367,878
Other	2400	844,328	-	844,328	844,328	-	844,328
Total Instructional Aides		<u>6,212,206</u>	<u>-</u>	<u>6,212,206</u>	<u>6,212,206</u>	<u>-</u>	<u>6,212,206</u>
Total Classified Salaries		<u>6,212,206</u>	<u>-</u>	<u>6,212,206</u>	<u>60,345,460</u>	<u>-</u>	<u>60,345,460</u>
Employee Benefits	3000	36,781,043	-	36,781,043	69,733,692	-	69,733,692
Supplies and Materials	4000	-	-	-	3,829,808	-	3,829,808
Other Operating Expenses	5000	3,405,186	-	3,405,186	26,202,689	-	26,202,689
Equipment Replacement	6420	-	-	-	-	-	-
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		<u>153,029,292</u>	<u>-</u>	<u>153,029,292</u>	<u>295,837,776</u>	<u>-</u>	<u>295,837,776</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION (CONTINUED) YEAR ENDED JUNE 30, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude:							
Rents and Leases	5060	-	-	-	938,945	-	938,945
Lottery Expenditures							
Academic Salaries	1000	2,385,167	-	2,385,167	3,035,983	-	3,035,983
Classified Salaries	2000	121,751	-	121,751	1,250,351	-	1,250,351
Employee Benefits	3000	442,397	-	442,397	756,412	-	756,412
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>2,949,315</u>	<u>-</u>	<u>2,949,315</u>	<u>5,981,691</u>	<u>-</u>	<u>5,981,691</u>
TOTAL EXCLUSIONS							
Total for ECS 84362, 50% Law		<u>\$ 150,079,977</u>	<u>\$ -</u>	<u>\$ 150,079,977</u>	<u>\$ 289,856,085</u>	<u>\$ -</u>	<u>\$ 289,856,085</u>
Percent of CEE (Instructional Salary Cost / Total CEE)		51.78%		51.78%	100%		100%
50% of Current Expense of Education					144,928,042		144,928,042

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2016

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$43,733,807
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	<u>\$43,733,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>43,733,807</u>
Total Expenditures for EPA*		<u>\$43,733,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>43,733,807</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 GOVERNMENTAL FUNDS TO NET POSITION YEAR ENDED JUNE 30, 2016

Fund Balance:	
General Fund	\$ 56,018,912
Bond Interest and Redemption Fund	24,192,202
Other Debt Service Fund	364,447
Special Revenue Child Development Fund	272,075
Capital Outlay Projects Fund	104,079,879
Capital Projects General Obligation Bond Fund	22,365,483
Bookstore Fund	10,227,934
Other Enterprise Fund	398,044
Self-Insurance Fund	-
Associated Students Trust Fund	347,658
Student Representation Fee Trust Fund	391,556
Student Financial Aid and Trust Fund	-
Scholarship and Loan Trust Fund	<u>632,895</u>
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	219,291,085
Net audit adjustments:	
No adjustments were made to the District's Funds	<u>-</u>
Total Fund Balance	219,291,085
Reconciliation to Net Position:	
Fair Market Value Investments	3,864
Net OPEB Asset	3,200,000
Capital assets, net	676,656,505
Deferred amount on refunding	10,632,860
Deferred outflows of resources related to pensions	27,990,845
Net pension liability	(265,089,010)
Long-term debt	(376,676,876)
Deferred inflows of resources related to pensions	<u>(25,799,515)</u>
Total Net Position	<u>\$ 270,209,758</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2016, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, 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.
- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2016.

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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

Reconciliation of Governmental Funds to Net Position

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

ADDITIONAL INFORMATION SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - 2016 ACTUAL TO 2017 BUDGET - GENERAL FUND YEAR ENDED JUNE 30, 2016

	<u>2015-16 Actual</u>	<u>2016-17 Adopted Budget</u>	<u>Change Increase (decrease)</u>
REVENUE			
Federal	\$ 6,804,705	\$ 12,277,176	\$ 5,472,471
State	294,200,853	366,751,678	72,550,825
Local	<u>100,181,817</u>	<u>17,513,913</u>	<u>(82,667,904)</u>
Total revenue	<u>401,187,375</u>	<u>396,542,767</u>	<u>(4,644,608)</u>
EXPENDITURES			
Certificated salaries	144,322,133	158,520,619	14,198,486
Classified salaries	81,046,674	89,927,393	8,880,719
Employee benefits	77,855,723	89,499,125	11,643,402
Books, supplies, and materials	7,161,594	10,773,674	3,612,080
Contract services and operating expenditures	34,627,047	51,557,676	16,930,629
Auxiliary activities/payments to students	6,997	7,500	503
Capital outlay	<u>6,929,554</u>	<u>9,119,313</u>	<u>2,189,759</u>
Total expenditures	<u>351,949,722</u>	<u>409,405,300</u>	<u>57,455,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,237,653</u>	<u>(12,862,533)</u>	<u>(62,100,186)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	962,047	1,033,560	71,513
Operating transfer out	<u>(33,039,430)</u>	<u>(13,866,705)</u>	<u>19,172,725</u>
Total other financing sources (uses)	<u>(32,077,383)</u>	<u>(12,833,145)</u>	<u>19,244,238</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	17,160,270	(25,695,678)	(42,855,948)
NET POSITION - BEGINNING OF YEAR	<u>38,858,642</u>	<u>56,018,912</u>	<u>17,160,270</u>
NET POSITION - END OF YEAR	<u>\$ 56,018,912</u>	<u>\$ 30,323,234</u>	<u>\$ (25,695,678)</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND JUNE 30, 2016

	Governmental Fund Types					Proprietary Fund Types			Total	GASB Adjustments	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency			
ASSETS											
Current Assets:											
Cash and cash equivalents	\$ 92,732,076	\$ 268,705	\$ 2,447,703	\$ 125,425,265	\$ 15,714,489	\$ 3,180,814	\$ 9,375,226	\$ 359,174	\$ 249,503,452	\$ (31,553,933)	\$ 217,949,519
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	63,436,843	63,436,843
Short-term investments	-	-	239,245	-	-	-	-	370,934	610,179	-	610,179
Accounts receivable, net	12,235,552	11,413	182,407	458,260	-	1,298,842	-	1,676	14,188,150	58,543	14,246,693
Interest receivable	280,748	1,984	3,748	668,884	212,742	2,549	52,364	505	1,223,524	-	1,223,524
Inventory	-	-	-	-	-	2,180,522	-	-	2,180,522	-	2,180,522
Prepaid expenditures and other assets	4,041,993	-	-	160,216	-	44,923	264,356	-	4,511,488	-	4,511,488
Net OPEB asset	-	-	-	-	-	-	-	-	-	3,200,000	3,200,000
Due from other funds	3,020,009	846,712	214	2,341,798	517,136	-	157,976	-	6,883,845	(6,883,845)	-
Total Current Assets	<u>112,310,378</u>	<u>1,128,814</u>	<u>2,873,317</u>	<u>129,054,423</u>	<u>16,444,367</u>	<u>6,707,650</u>	<u>9,849,922</u>	<u>732,289</u>	<u>279,101,160</u>	<u>28,257,608</u>	<u>307,358,768</u>
Noncurrent Assets:											
Long-term investments	-	-	100,053	159,292	564,111	6,640,789	-	-	7,464,245	(723,403)	6,740,842
Restricted investments	-	-	-	5,884,000	31,880,461	-	-	-	37,764,461	(31,155,643)	6,608,818
Capital assets, net	-	-	-	-	-	842,700	-	-	842,700	676,656,505	677,499,205
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>100,053</u>	<u>6,043,292</u>	<u>32,444,572</u>	<u>7,483,489</u>	<u>-</u>	<u>-</u>	<u>46,071,406</u>	<u>644,777,459</u>	<u>690,848,865</u>
TOTAL ASSETS	<u>112,310,378</u>	<u>1,128,814</u>	<u>2,973,370</u>	<u>135,097,715</u>	<u>48,888,939</u>	<u>14,191,139</u>	<u>9,849,922</u>	<u>732,289</u>	<u>325,172,566</u>	<u>673,035,067</u>	<u>998,207,633</u>
DEFERRED OUTFLOWS OF RESOURCES											
Deferred amount on refunding	-	-	-	-	-	-	-	-	-	10,632,860	10,632,860
Deferred outflows of resources related to pensions	-	-	-	-	-	-	-	-	-	27,990,845	27,990,845
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,623,705</u>	<u>38,623,705</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 112,310,378</u>	<u>\$ 1,128,814</u>	<u>\$ 2,973,370</u>	<u>\$ 135,097,715</u>	<u>\$ 48,888,939</u>	<u>\$ 14,191,139</u>	<u>\$ 9,849,922</u>	<u>\$ 732,289</u>	<u>\$ 325,172,566</u>	<u>\$ 711,658,772</u>	<u>\$ 1,036,831,338</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND (Continued) JUNE 30, 2016

	Governmental Fund Types					Proprietary Fund Types			Total	GASB Adjustments	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency			
LIABILITIES											
Current Liabilities:											
Accounts payable	\$ 7,526,168	\$ 27,588	\$ 6,874	\$ 2,431,986	\$ -	\$ 562,013	\$ 380,863	\$ 9,542	\$ 10,945,034	\$ -	\$ 10,945,034
Accrued salaries and related benefits	21,883,087	111,905	-	-	-	87,543	9,297	-	22,091,832	-	22,091,832
Interest payable	-	-	1,137	-	7,820,475	-	-	-	7,821,612	-	7,821,612
Unearned revenue	21,316,258	-	448,894	6,170,539	-	1,125,254	-	-	29,060,945	-	29,060,945
Compensated absences	375,742	85,241	-	-	16,169,091	209,094	25,977	-	16,865,145	(11,388,389)	5,476,756
Other accrued liabilities	326,899	-	-	-	1,349	19,033	475,011	-	822,292	349,255	1,171,547
Amounts held on behalf of others	1,352,173	-	-	-	-	217,993	-	722,349	2,292,515	-	2,292,515
Long-term debt	-	-	-	-	-	-	-	-	-	14,723,258	14,723,258
Due to other funds	3,511,139	632,005	1,144,356	49,828	341,375	1,344,231	151,225	398	7,174,557	(7,174,557)	-
Total Current Liabilities	<u>56,291,466</u>	<u>856,739</u>	<u>1,601,261</u>	<u>8,652,353</u>	<u>24,332,290</u>	<u>3,565,161</u>	<u>1,042,373</u>	<u>732,289</u>	<u>97,073,932</u>	<u>(3,490,433)</u>	<u>93,583,499</u>
Noncurrent Liabilities:											
Compensated absences	-	-	-	-	-	-	-	-	-	11,388,389	11,388,389
Claims liability	-	-	-	-	-	-	8,807,549	-	8,807,549	-	8,807,549
Net Pension Liability	-	-	-	-	-	-	-	-	-	265,089,010	265,089,010
Long-term debt	-	-	-	-	-	-	-	-	-	361,953,618	361,953,618
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,807,549</u>	<u>-</u>	<u>8,807,549</u>	<u>638,431,017</u>	<u>647,238,566</u>
TOTAL LIABILITIES	<u>56,291,466</u>	<u>856,739</u>	<u>1,601,261</u>	<u>8,652,353</u>	<u>24,332,290</u>	<u>3,565,161</u>	<u>9,849,922</u>	<u>732,289</u>	<u>105,881,481</u>	<u>634,940,584</u>	<u>740,822,065</u>
DEFERRED INFLOWS OF RESOURCES											
Deferred inflows of resources related to pensions	-	-	-	-	-	-	-	-	-	25,799,515	25,799,515
NET POSITION											
Net investment in capital assets	-	-	-	-	-	842,700	-	-	842,700	332,977,972	333,820,672
Restricted for:											
Expendable											
Scholarships and loans	-	-	632,895	-	-	-	-	-	632,895	-	632,895
Capital projects and debt service	-	-	-	24,764,096	24,556,649	-	-	-	49,320,745	(17,803,636)	31,517,109
Other special purposes	4,676,380	-	391,556	-	-	-	-	-	5,067,936	3,200,000	8,267,936
Designated for:											
Reserve for non-cash assets (Ppd, Revlvg, Invtry, etc.)											
	4,127,604	-	100	160,216	-	2,418,485	-	-	6,706,405	-	6,706,405
Encumbrances & other commitments	30,380,000	-	-	-	-	-	-	-	30,380,000	-	30,380,000
Capital projects	-	-	-	88,235,081	-	7,145,169	-	-	95,380,250	-	95,380,250
Reserve for general fund shortfall	-	-	-	10,033,946	-	-	-	-	10,033,946	-	10,033,946
Unrestricted/ general contingency reserve	16,834,928	272,075	347,558	3,252,023	-	219,624	-	-	20,926,208	(267,455,663)	(246,529,455)
TOTAL FUND BALANCE/NET POSITION	<u>56,018,912</u>	<u>272,075</u>	<u>1,372,109</u>	<u>126,445,362</u>	<u>24,556,649</u>	<u>10,625,978</u>	<u>-</u>	<u>-</u>	<u>219,291,085</u>	<u>50,918,673</u>	<u>270,209,758</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION											
	<u>\$ 112,310,378</u>	<u>\$ 1,128,814</u>	<u>\$ 2,973,370</u>	<u>\$ 135,097,715</u>	<u>\$ 48,888,939</u>	<u>\$ 14,191,139</u>	<u>\$ 9,849,922</u>	<u>\$ 732,289</u>	<u>\$ 325,172,566</u>	<u>\$ 711,658,772</u>	<u>\$ 1,036,831,338</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, 2016

	Government Fund Types					Proprietary Fund Types			GASB Reconciling Adjustments/ Eliminations	Reconciled Total
	General	Special Revenue Child Dev	Special Revenue Inst. Rel and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Total		
REVENUES:										
Federal	\$ 6,804,705	\$ 92,408	\$ 95,540,094	\$ -	\$ -	\$ -	\$ -	\$ 102,437,207	\$ -	\$ 102,437,207
State	294,200,853	1,192,200	7,341,696	3,308,781	-	-	-	306,043,530	-	306,043,530
Local	99,333,202	133,927	203,722	338,910	19,017,698	1,237,700	-	120,265,159	(191,774)	120,073,385
Operation	414,798	-	-	-	-	16,926,761	7,254,463	24,596,022	(7,254,463)	17,341,559
Interest and other	433,817	1,023	1,977	606,877	182,602	23,571	10,835	1,260,702	(29,792)	1,230,910
Total revenues	<u>401,187,375</u>	<u>1,419,558</u>	<u>103,087,489</u>	<u>4,254,568</u>	<u>19,200,300</u>	<u>18,188,032</u>	<u>7,265,298</u>	<u>554,602,620</u>	<u>(7,476,029)</u>	<u>547,126,591</u>
EXPENDITURES/EXPENSES:										
Certificated salaries	144,322,133	-	-	-	-	-	-	144,322,133	-	144,322,133
Classified salaries	81,046,674	1,279,074	-	-	-	3,399,597	174,659	85,900,004	-	85,900,004
Employee benefits	77,855,723	679,678	-	-	-	984,558	68,652	79,588,611	(1,522,932)	78,065,679
Books, supplies and materials	7,161,594	111,180	11,247	6,325	-	146,786	-	7,437,132	(178,854)	7,258,278
Cost of goods sold	-	-	-	-	-	10,440,144	-	10,440,144	-	10,440,144
Contract services and operating expenses	34,627,047	8,530	244,047	3,920,001	-	2,736,725	7,021,987	48,558,337	(4,906,762)	43,651,575
Capital outlay	6,929,554	-	-	22,949,471	-	-	-	29,879,025	(29,879,025)	-
Depreciation	-	-	-	-	-	169,807	-	169,807	29,211,309	29,381,116
Auxiliary activities	6,997	-	106,865,465	3,827	25,973,724	-	-	132,850,013	(21,630,260)	111,219,753
Total expenditures/expenses	<u>351,949,722</u>	<u>2,078,462</u>	<u>107,120,759</u>	<u>26,879,624</u>	<u>25,973,724</u>	<u>17,877,617</u>	<u>7,265,298</u>	<u>539,145,206</u>	<u>(28,906,524)</u>	<u>510,238,682</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>49,237,653</u>	<u>(658,904)</u>	<u>(4,033,270)</u>	<u>(22,625,056)</u>	<u>(6,773,424)</u>	<u>310,415</u>	<u>-</u>	<u>15,457,414</u>	<u>21,430,495</u>	<u>36,887,909</u>
OTHER FINANCING SOURCES (USES):										
Operating transfers in	962,047	629,707	4,083,815	28,096,506	531,681	241,253	-	34,545,009	(34,545,009)	-
Operating transfers out	(33,039,430)	-	-	(470,688)	(13,446)	(1,021,445)	-	(34,545,009)	34,545,009	-
Total other financing sources (uses)	<u>(32,077,383)</u>	<u>629,707</u>	<u>4,083,815</u>	<u>27,625,818</u>	<u>518,235</u>	<u>(780,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	17,160,270	(29,197)	50,545	5,000,762	(6,255,189)	(469,777)	-	15,457,414	21,430,495	36,887,909
FUND BALANCE/NET POSITION, July 1, 2015	<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>11,095,755</u>	<u>-</u>	<u>203,833,671</u>	<u>29,488,178</u>	<u>233,321,849</u>
FUND BALANCE/NET POSITION, June 30, 2016	<u>\$ 56,018,912</u>	<u>\$ 272,075</u>	<u>\$ 1,372,109</u>	<u>\$ 126,445,362</u>	<u>\$ 24,556,649</u>	<u>\$ 10,625,978</u>	<u>\$ -</u>	<u>\$ 219,291,085</u>	<u>\$ 50,918,673</u>	<u>\$ 270,209,758</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS
YEAR ENDED JUNE 30, 2016

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>
2015-16	\$ 5,354	52,925	\$ 283,383,912

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>
2015-16	\$ 11,040,726	\$ 10,946,842	99.2%

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

2015-16 assessed valuation	\$ 163,898,770,566
Less: Unsecured and Utility Assessment	<u>6,506,316,263</u>
Secured Assessed Valuation	<u>\$ 157,392,454,303</u>

<u>Property Owner</u>	<u>2015-16 Assessed Valuation</u>
1. Intel Corporation	\$ 600,892,727
2. Donahue Schriber Realty Group LP	\$ 246,807,320
3. Target Corporation	\$ 220,631,537
4. Wal Mart Real Estate Business Trust	\$ 196,755,678
5. Apple Computer Inc.	\$ 180,535,865
6. Oakmont Properties	\$ 178,962,335
7. Hines Sacramento Wells Fargo Center	\$ 172,000,000
8. Aerojet General Corp	\$ 169,107,359
9. Harsch Investment Properties LLC	\$ 147,373,338
10. Buzz Oates LLC	\$ 143,692,097

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, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2016.

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 23, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

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

November 23, 2016

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, 2016.

Management's Responsibilities

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the 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
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- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Student Success and Support Program Funds
- 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
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Education Protection Account Funds

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2016. 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 23, 2016

FINDINGS AND RECOMMENDATIONS SECTION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes

No

Significant deficiency(ies) identified?

_____ Yes

None Reported

Noncompliance material to financial statements noted?

_____ Yes

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes

No

Significant deficiency(ies) identified?

_____ Yes

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 2 CFR 200.516(a)?

_____ Yes

No

Identification of major programs:

CFDA Numbers

84.063, 84.007, 84.033, 84.268

Name of Federal Programs or Cluster

Student Financial Assistance Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,090,303

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, 2016

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, 2016

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, 2016

FINANCIAL STATEMENT FINDINGS

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

FEDERAL COMPLIANCE

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

STATE COMPLIANCE

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