



December 3, 2019

Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, of Los Rios Community College District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Los Rios Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed. We noted no transactions entered into by Los Rios Community College District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the Net Pension Liabilities and OPEB is based on actuary studies performed for the District and depreciation expense is based on capitalization policies. We evaluated the key factors and assumptions used to develop the OPEB liabilities and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated December 3, 2019.

Management Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Los Rios Community College District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Los Rios Community College District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Trustees and management of Los Rios Community College District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly, LLP
San Ramon, California



ANNUAL FINANCIAL REPORT
JUNE 30, 2019

LOS RIOS COMMUNITY COLLEGE
DISTRICT

LOS RIOS COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

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LOS RIOS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, the aggregate discretely presented component unit (Los Rios Foundation), and the aggregate remaining fund information of Los Rios Community College District (the District) as of and for the year ended June 30, 2019, 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 misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *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 from 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 error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, 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 Changes in the District's Net OPEB Asset and Related Ratios, the Schedule of District Contributions for OPEB, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the table of contents 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 the 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.

Other 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 accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

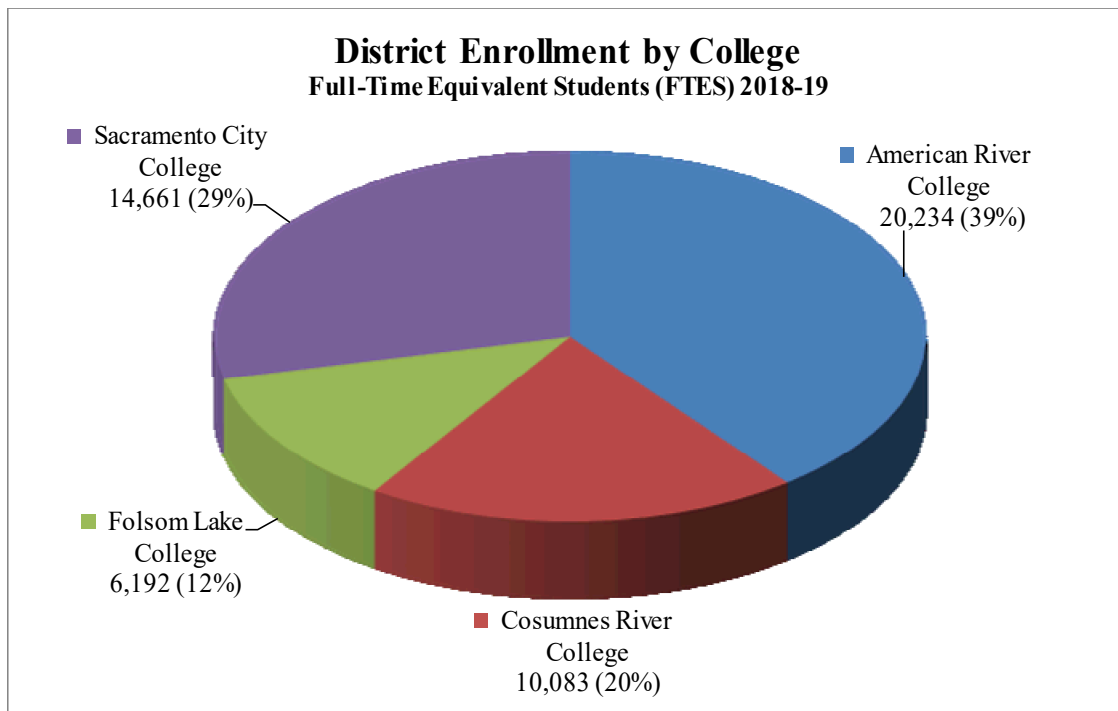
San Ramon, California
December 3, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

DISTRICT BACKGROUND

The Los Rios Community College District (the District) 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 (SCC), founded in 1916, and American River College (ARC) in 1955. Cosumnes River College (CRC) was established in 1970 to serve the southern portion of the District and in 2004 Folsom Lake College (FLC) achieved college status. The District also includes six education centers in Davis, El Dorado, Elk Grove, Natomas, Rancho Cordova, and West Sacramento.

The District, which is the second largest community college district in California and one of the largest in the nation, has enrollment of over 73,000 students during our primary terms. It covers approximately 2,400 square miles, including most of Sacramento County, most of El Dorado and parts of Yolo, Placer and Solano Counties.



ATTENDANCE

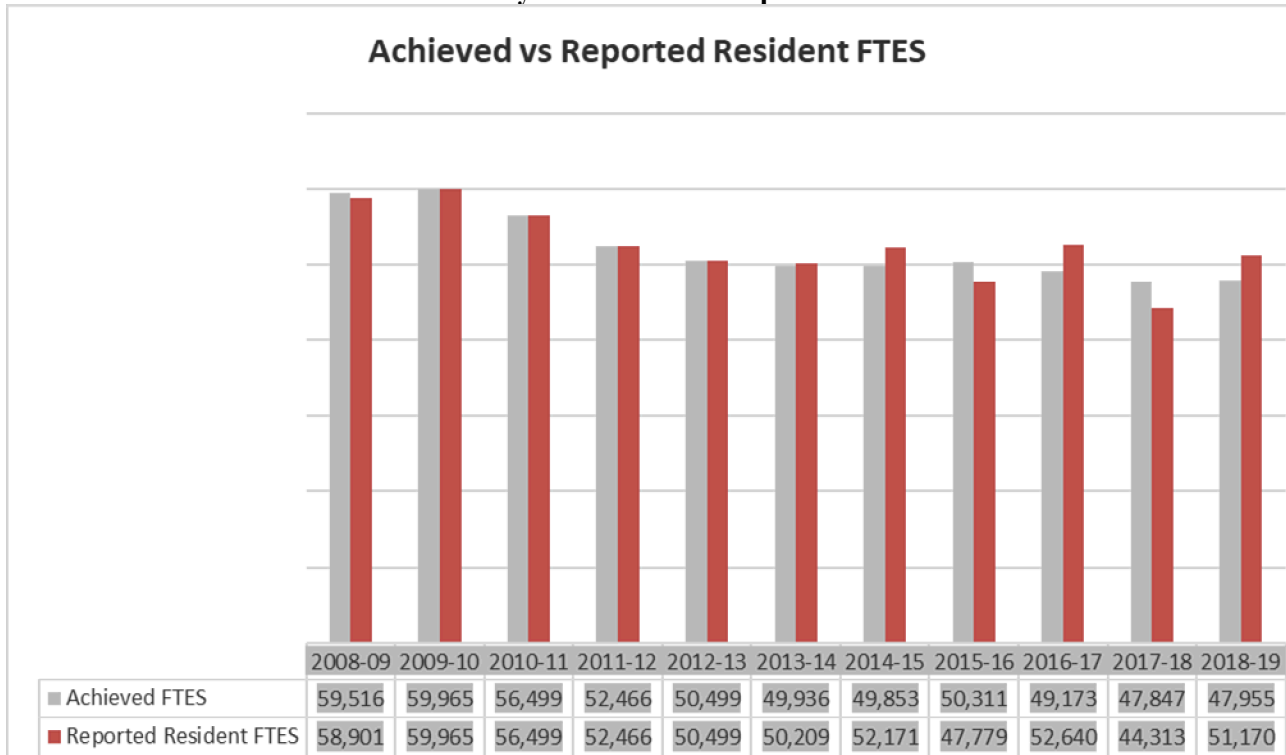
The District’s achieved attendance in 2018-19 increased compared to 2017-18 by 0.20%. The District did not shift a portion of summer 2018 full time equivalent students (FTES) in 2017-18, but did shift a portion of summer 2019 FTES to 2018-19.

Due to many factors, including an improved job market and a decrease in the number of high school graduates, the demand for classes has not returned to the 2009-10 level. The District’s enrollment trends are consistent with most districts in the State.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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



MANAGEMENT DISCUSSION AND ANALYSIS (explained)

The District follows the financial reporting standards established by the Governmental Accounting Standards Board (GASB). 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.

The basic financial statements include four components:

1. *Statement of Net Position* presents the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.
2. *Statement of Revenues, Expenses, and Changes in Net Position* presents the District’s revenues earned, expenses incurred and change in total net position.
3. *Statement of Cash Flows* presents information about the cash activities of the District during the year.

Notes to the Financial Statements provide additional information crucial for the review of the financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FINANCIAL HIGHLIGHTS

The Student Centered Funding Formula (SCFF), effective for the 2018-19 fiscal year, is the new formula used to allocate funding to California's community colleges. SCFF retained the Basic Allocation established under Senate Bill (SB) 361 in the 2006-07 fiscal year, but at a significantly reduced rate. However, SCFF funds districts for outcomes and demographics proving an incentive to improve the success for students, especially students from economically disadvantaged backgrounds. The SCFF allocations for fiscal year 2018-2019 and their respective weightings consist of:

- Base Allocation (70%) – Similar to the pre-SCFF calculation and primarily driven by enrollment.
- Supplemental Allocation (20%) - Based on the number of low-income students served, as represented by students receiving a Pell or California College Promise Grant (CCPG), or an AB540 California Dream Act Nonresident Tuition Fee Waiver.
- Student Success Allocation (10%) - Based on eight defined student outcomes that are aligned with the California Community Colleges Vision for Success, with the highest value assigned to Associate Degrees for Transfer awarded to students that also received a Pell Grant and/or a CCPG.

The SCFF includes a hold harmless provision, which ensures districts receive funding at or above their fiscal year 2017-2018 funding level through fiscal year 2020-2021. The District did not fall under the hold harmless provision in the current fiscal year, as SCFF calculated funding is \$316 million, which exceeded the \$312 million calculated funding using the hold harmless provision.

The District closed the year with unrestricted general fund reserves of \$62 million, or 15% of expenditures, as well as available reserves in its unrestricted capital outlay projects fund. The California Community College Chancellor's Office (CCCCO) recommends a prudent general fund unrestricted reserve of at least 5% of expenditures. Cash balances in the unrestricted general fund and unrestricted capital outlay projects fund exceeds \$208 million.

As of June 30, 2019, the voters have approved two bond measures. Measure A was approved by the voters on March 5, 2002 for \$265 million and Measure M was approved by the voters on November 4, 2008 for \$475 million. The District has fully issued Measure A. On June 26, 2019, the District issued the fourth series of Measure M, Series D, for \$80 million for a total Measure M issuance of \$335 million at June 30, 2019. The District's four colleges, the District Office and other facilities providing District-wide services have utilized the bond issues for both the construction of new facilities and the modernization of existing facilities. In total, the two bond measures have funded 82 capital facility projects with an additional 25 projects currently in progress. At this point, the District has either spent or committed nearly all of the funds from these two authorizations.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL STATEMENTS SUMMARY

Statement of Net Position

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets	\$ 526,626,091	\$ 446,473,028
Noncurrent assets:		
Net OPEB asset	4,350,992	9,609,706
Capital assets, net	<u>708,934,910</u>	<u>679,567,976</u>
Total Assets	<u>1,239,911,993</u>	<u>1,135,650,710</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>132,661,216</u>	 <u>127,666,711</u>
 LIABILITIES		
Current liabilities	136,980,774	115,621,287
Long-term obligations	<u>892,412,347</u>	<u>806,353,353</u>
Total Liabilities	<u>1,029,393,121</u>	<u>921,974,640</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>27,000,594</u>	 <u>34,928,505</u>
 NET POSITION		
Net investment in capital assets	340,130,605	326,487,227
Restricted	40,992,097	41,524,979
Unrestricted	<u>(64,943,208)</u>	<u>(61,597,930)</u>
Total Net Position	<u>\$ 316,179,494</u>	<u>\$ 306,414,276</u>

The net position may serve over time as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$316 million.

A significant factor that contributes to the negative \$65 million unrestricted net position is that the District must recognize a liability for the unfunded pension obligation as soon as the obligation occurs. This is in contrast to how governments budget, which focuses on when a liability will be paid. The chart below illustrates the impact of recognizing the net pension liability (NPL) and the related deferred outflows and inflows related to pensions.

	<u>With the NPL and Related</u>	<u>Without the NPL and Related</u>
NET POSITION		
Net investment in capital assets	\$ 340,130,605	\$ 340,130,605
Restricted	40,992,097	40,992,097
Unrestricted	<u>(64,943,208)</u>	<u>231,151,978</u>
Total Net Position	<u>\$ 316,179,494</u>	<u>\$ 612,274,680</u>

Refer to *the Economic Factors That May Affect the Future* section of the MD&A for further discussion of the net pension liability.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The District's \$340 million net investment in capital assets (e.g., land, buildings and equipment) is a significant portion of net position. This amount is net of any outstanding debt used to acquire the capital assets. The District uses these assets to provide educational services; consequently, these assets are not available for future spending.

The restricted net position accounts for \$41 million of net position. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Net tuition and fees	\$ 31,100,260	\$ 30,514,649
Grants and contracts	177,865,059	169,384,480
Auxiliary sales and charges	18,093,248	17,657,106
Other operating income	3,921,696	3,394,392
Total Operating Revenues	<u>230,980,263</u>	<u>220,950,627</u>
OPERATING EXPENSES		
Salaries and benefits	254,316,148	247,622,479
Employee benefits (including pension and OPEB expenses)	131,015,160	100,930,206
Supplies, materials, other operating expense and services	81,871,596	74,672,993
Student financial aid	104,531,276	99,587,078
Depreciation	29,283,171	30,506,553
Total Operating Expenses	<u>601,017,351</u>	<u>553,319,309</u>
Loss from Operations	<u>(370,037,088)</u>	<u>(332,368,682)</u>
NONOPERATING REVENUE (EXPENSE)		
State apportionments and EPA, noncapital	207,192,451	200,504,978
Property taxes	122,062,981	115,552,441
Lottery and other revenue	47,878,379	28,612,306
Investment income (expense)	(6,285,464)	(6,568,339)
Other nonoperating revenues	373,060	270,698
Total Nonoperating Revenue (Expense)	<u>371,221,407</u>	<u>338,372,084</u>
OTHER REVENUE		
State and local capital income	8,580,899	7,572,302
Net Increase in Net Position	<u>\$ 9,765,218</u>	<u>\$ 13,575,704</u>

Grants and contracts, included in operating revenue, and supplies, materials, and other operating expense and services, included in operating expenses, increased over prior year primarily due to additional activity in the CCCCO setaside grants, the student financial aid program and the apprenticeship program of \$7.0 million, \$4.2 million and \$3.2 million, respectively. Conversely, the activity for the student success and support program and workforce and economic development decreased over the prior year by \$2.1 million and \$2.3 million, respectively.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The State's on-behalf contributions, included in lottery and other revenue, and pension expense, included in employee benefits expense, increased in the current year by \$15.9 million and \$21.0 million, respectively. A one-time on-behalf State contribution to CalPERS and CalSTRS was included in the 2019 Budget Act. The District's share of the State's one-time contribution was \$5.4 million and \$5.5 million for CalPERS and CalSTRS, respectively. In addition, the District's share of the State's ongoing on-behalf contribution to CalSTRS increased by \$5 million. Accounting standards require equal and opposite reporting via revenue and expense for the on-behalf contributions from the State; therefore, there is no impact to the bottom line (net position) resulting from these transactions. Pension expense also increased by \$5.1 million due to the effect of recording the changes to the net pension liability and related deferred outflows and inflows over and above the prior year.

Salaries increased primarily due to salary schedule improvements for fiscal year 2019.

State apportionments increased by \$6.7 million primarily due to an increase in Education Protection Account funding.

Property taxes increased by \$6.5 million, of which \$5.4 million was due to increased assessed values within the counties the District serves, and \$1.1 million was due to increased assessments to cover increasing general obligation bonds debt service payments.

Capital Asset

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, construction in progress and collectibles	\$ 43,880,159	\$ 37,083,057	\$ (2,432,928)	\$ 78,530,288
Site improvements	72,974,368	627,085	-	73,601,453
Buildings and improvements	768,584,205	10,598,338	-	779,182,543
Equipment and library books	180,912,059	12,798,953	(998,975)	192,712,037
Total capital assets	1,066,350,791	61,107,433	(3,431,903)	1,124,026,321
Accumulated depreciation	(386,782,815)	(29,292,404)	983,808	(415,091,411)
Total capital assets, net	<u>\$ 679,567,976</u>	<u>\$ 31,815,029</u>	<u>\$ (2,448,095)</u>	<u>\$ 708,934,910</u>

Land, construction in progress and collectibles additions were \$37.1 million. The additions are primarily related to the following construction in progress: modernization of the ARC Liberal Arts building, modernization of SCC Mohr Hall, the expansion of the CRC College Center, phase 2 construction of the instructional building at the Davis Center and district-wide security improvements.

Buildings and improvements additions consist of \$8.2 million in building improvements at the Ethan Way Training Source, SCC Rodda Hall North, SCC Hughes Stadium and the SCC Davis Center. Completed construction reclassified to buildings accounted for the remaining \$2.4 million.

Equipment and library book additions of \$12.8 million primarily consists of the replacement of outdated equipment of which \$2.0 million was for IT equipment, \$1.6 million for Strong Workforce and \$0.8 million Vocational Technical education programs.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Long-Term Debt

The changes in the District's long-term debt during the fiscal year ended June 30, 2019 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
General obligation bonds	\$ 447,256,425	\$ 83,209,750	\$ (20,468,286)	\$ 509,997,889
Certificates of participation	442,484	-	(442,484)	-
Total long-term debt	<u>\$ 447,698,909</u>	<u>\$ 83,209,750</u>	<u>\$ (20,910,770)</u>	<u>\$ 509,997,889</u>

General obligation bond activity consisted of an \$80 million bond issuance on June 26, 2019 and regular principal payments.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The District's 2018-19 budget took a prudent approach to the revised funding model, which allowed the District to weather the changes made in how to account for the metrics included in the SCFF and changes in projections to local property tax and student enrollment fees. For example, the District received a number of different estimates for SCFF revenue this year that have swung between \$302 million to \$316 million.

Given the continued volatility in the SCFF calculation, the District is taking a similar prudent approach to the 2019-20 budget. If the District maintains and/or increases FTES levels, continues to make progress on the outcomes prioritized in the model, and continues to find ways to better serve financially needy students, the District may be able to receive on-going increases in the future.

The state's two major public retirement systems, CalPERS and CalSTRS, have large unfunded liabilities. This was partially due to poor investment returns during the recession, and partially due to reductions in contributions made by employers during the Tech Bubble. To improve the solvency of the funds, between 2013-14 and 2020-21 both CalPERS and CalSTRS will more than double their employer contribution rates. The District designated \$12.5 million to mitigate the rate increases and is currently positioned to absorb the impact, but sudden or significant declines in State funding levels could be challenging.

Operational cost increases include utilities, which have risen due to rate increases and the increase in total square footage. The District has reduced, and will continue to reduce, its utility costs by lowering consumption and by making smart investments in energy efficiency.

The District has a significant need for additional bond authorization. All four of the District's colleges recently went through a comprehensive facilities master planning process where the District identified more than \$1.3 billion in facility and infrastructure needs. As a reflection of the District's aging facilities, the focus of the master plans is modernization. Currently, 25% of district facilities are at least 50 years old, and 33% are at least 40 years old. To provide for these needs, a bond measure will be placed before voters on the March 3, 2020 ballot. If the new measure passes, it would result in \$650 million to support some of the projects outlined in the master plans.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Based on the information currently available, the District believes it is well positioned financially for the 2019-20 fiscal year and beyond. The District continues to plan thoughtfully for the many challenges ahead and looks forward to the opportunity to expand and enhance access and success for the students, while improving the District's financial position by systematically addressing pension and other liabilities and making investments in human, physical, and technology resources. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Los Rios Community College District, 1919 Spanos Court, Sacramento, CA 95825.

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 265,727,874
Restricted investments	107,291,751
Restricted cash and cash equivalents	112,904,905
Accounts receivable, net	32,208,024
Due from fiduciary funds	22,879
Prepaid expenses and other assets	6,754,458
Inventories	1,716,200
Total Current Assets	<u>526,626,091</u>

Noncurrent Assets

Net OPEB asset	4,350,992
Nondepreciable capital assets	78,530,288
Depreciable capital assets, net of depreciation	630,404,622
Total Noncurrent Assets	<u>713,285,902</u>

TOTAL ASSETS

1,239,911,993

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	113,222,602
Deferred charge on refunding	10,522,999
Deferred outflows of resources related to OPEB	8,915,615
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>132,661,216</u>

LIABILITIES

Current Liabilities

Accounts payable	27,659,023
Payroll and related liabilities	27,321,748
Interest payable	8,607,189
Due to fiduciary funds	2,167,283
Unearned revenue	41,141,783
Compensated absences payable - current portion	6,018,641
Bonds payable and premium liability - current portion	24,065,107
Total Current Liabilities	<u>136,980,774</u>

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	13,385,664
Bonds payable and premium liability - noncurrent portion	485,932,782
Aggregate net pension obligation	382,606,520
Claims liability	10,487,381
Total Noncurrent Liabilities	<u>892,412,347</u>

TOTAL LIABILITIES

1,029,393,121

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	26,711,268
Deferred inflows of resources related to OPEB	289,326
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>27,000,594</u>

NET POSITION

Net investment in capital assets	340,130,605
Restricted for:	
Debt service	33,732,619
Other activities	7,259,478
Unrestricted	(64,943,208)
TOTAL NET POSITION	<u>\$ 316,179,494</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 - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES

Student Tuition and Fees	\$ 67,526,682
Less: Scholarship discount and allowance	(36,426,422)
Net tuition and fees	<u>31,100,260</u>
Grants and Contracts, Noncapital	
Federal	100,698,507
State	72,625,678
Local	4,540,874
Net grants and contracts, noncapital	<u>177,865,059</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	11,465,099
Other enterprise - Harris Center	6,628,149
Other operating revenues	<u>3,921,696</u>
TOTAL OPERATING REVENUES	<u>230,980,263</u>

OPERATING EXPENSES

Salaries	254,316,148
Employee benefits	131,015,160
Supplies, materials, and other operating expenses and services	81,871,596
Student financial aid	104,531,276
Depreciation	29,283,171
TOTAL OPERATING EXPENSES	<u>601,017,351</u>

OPERATING LOSS

(370,037,088)

NONOPERATING REVENUES (EXPENSES)

State apportionments and education protection act, noncapital	207,192,451
Local property taxes, levied for general purposes	91,097,559
Taxes levied for other specific purposes - Debt service	30,965,422
Lottery, state taxes and other revenues	47,878,379
Investment income	8,747,731
Interest expense and service charges on capital related debt	(15,033,195)
Transfer from agency funds	210
Other nonoperating revenue - gifts	372,850
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>371,221,407</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

1,184,319

OTHER REVENUES AND EXPENSES

State revenues, capital	<u>8,580,899</u>
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CHANGE IN NET POSITION

9,765,218

NET POSITION, BEGINNING OF YEAR

306,414,276

NET POSITION, END OF YEAR

\$ 316,179,494

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 30,754,248
Federal, state and local grants and contracts	180,171,698
Payments to vendors for supplies and services	(68,121,385)
Payments to or on behalf of employees	(368,286,931)
Payments to students for scholarships and grants	(104,531,276)
Auxiliary enterprise sales and charges	22,014,944
Net Cash Flows From Operating Activities	<u>(307,998,702)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	204,052,454
Property taxes - noncapital related	91,097,559
Other nonoperating (lottery and other)	48,706,887
Net Cash Flows From Noncapital Financing Activities	<u>343,856,900</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(58,674,505)
State revenue, capital projects	8,580,899
Property taxes - related to capital debt	33,084,471
Proceeds of debt issuance	83,209,750
Principal paid on capital debt	(17,270,000)
Interest paid on capital debt	(17,530,294)
Net Cash Flows From Capital Financing Activities	<u>31,400,321</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(49,601,200)
Interest received from investments	6,821,573
Net Cash Flows From Investing Activities	<u>(42,779,627)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	354,153,887
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 378,632,779</u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (370,037,088)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	29,283,171
Changes in Assets and Liabilities	
Receivables	(810,552)
Inventories	376,887
Prepaid expenses	(137,028)
Accounts payable and accrued liabilities	11,651,094
Unearned revenue	3,268,682
Change in other post employment benefits	5,258,714
Compensated absences	1,075,944
Change in deferred outflows	(6,426,821)
Change in deferred inflows	(7,927,911)
Pension obligation	25,923,728
Claims liabilities	502,478
Total Adjustments	<u>62,038,386</u>
Net Cash Flows From Operating Activities	<u><u>\$ (307,998,702)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 16,335,223
Cash in state cash pool - LAIF	5,162,082
Cash in county treasury	357,135,474
Total Cash and Cash Equivalents	<u><u>\$ 378,632,779</u></u>

NONCASH TRANSACTIONS

Amortization of premium on capital related debt	\$ 4,080,770
Amortization of deferred charge on refunding	\$ 1,432,316

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	Retiree Health Benefits Trust	Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 3,714,304	\$ 2,419,276	\$ 777,493
Investments	127,202,090	-	-
Accounts receivable, net	-	20,447	3,262
Due from primary government	2,141,823	25,066	394
Total Assets	<u>133,058,217</u>	<u>2,464,789</u>	<u>\$ 781,149</u>
LIABILITIES			
Accounts payable	\$ 46,500	\$ 3,753	\$ 24,231
Due to primary government	-	-	22,879
Due to others	-	-	734,039
Total Liabilities	<u>46,500</u>	<u>3,753</u>	<u>\$ 781,149</u>
NET POSITION			
Restricted for postemployment benefits other than pensions	133,011,717	-	
Unassigned	-	2,461,036	
Total Net Position	<u>\$ 133,011,717</u>	<u>\$ 2,461,036</u>	

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

	Retiree Health	
	Trust	Trust
ADDITIONS		
Employer contributions	\$ 5,341,823	\$ -
Local revenues	-	29,474
Fees and other income	-	179,994
Interest and investment income	8,961,515	40,363
Total Additions	14,303,338	249,831
DEDUCTIONS		
Benefit payments	2,866,680	-
Books and supplies	-	21,764
Services and operating expenditures	-	119,731
Total Deductions	2,866,680	141,495
OTHER FINANCING SOURCES (USES)		
Operating transfers out	-	(210)
Total Other Financing Sources (Uses)	-	(210)
Change in Net Position	11,436,658	108,126
Net Position - Beginning	121,575,059	2,352,910
Net Position - Ending	\$ 133,011,717	\$ 2,461,036

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LOS RIOS COLLEGES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 743,948
Pledges receivable	228,989
Prepaid expenses	15,583
Total Current Assets	<u>988,520</u>

NONCURRENT ASSETS

Investments	14,145,203
Pledges receivable	350,172
Total Noncurrent Assets	<u>14,495,375</u>
TOTAL ASSETS	<u>\$ 15,483,895</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	55,009
TOTAL LIABILITIES	<u>55,009</u>

NET ASSETS

Without donor restrictions	1,876,429
With donor restrictions	13,552,457
Total Net Assets	<u>15,428,886</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,483,895</u>
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The accompanying notes are an integral part of these financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LOS RIOS COLLEGES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 194,763	\$ 2,110,744	\$ 2,305,507
Investment earnings	177,494	307,704	485,198
In-kind contributions	117,791	-	117,791
Assets released from restrictions	1,283,502	(1,283,502)	-
Total Revenues	<u>1,773,550</u>	<u>1,134,946</u>	<u>2,908,496</u>
EXPENSES			
Scholarships	769,435	-	769,435
College support	663,362	-	663,362
Grants and sponsorships	1,025	-	1,025
Administrative	263,301	-	263,301
Fundraising	37,151	-	37,151
Total Expenses	<u>1,734,274</u>	<u>-</u>	<u>1,734,274</u>
CHANGE IN NET ASSETS	39,276	1,134,946	1,174,222
NET ASSETS, BEGINNING OF YEAR	<u>1,837,153</u>	<u>12,417,511</u>	<u>14,254,664</u>
NET ASSETS, END OF YEAR	<u>\$ 1,876,429</u>	<u>\$ 13,552,457</u>	<u>\$ 15,428,886</u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT LOS RIOS COLLEGES FOUNDATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions for scholarships	\$ 1,602,145
Capital and endowment campaign	116,052
Annual fund	103,340
Other contributions	220,665
Interest and dividend income	3,945
Scholarships awarded	(769,435)
Payments to suppliers	(257,486)
Payments to reimburse District for staff time	(36,683)
Payments for services	(110,800)
Payments for travel, conferences and meetings	(40,914)
Other operating costs	(437,545)
Net Cash Flows Provided by Operating Activities	<u>393,284</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	4,486,145
Interest and dividends on investments	358,253
Investment expenses	(80,206)
Purchases of investments	(5,475,932)
Net Cash Flows Used By Investing Activities	<u>(711,740)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(318,456)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

1,062,404

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 743,948

SUPPLEMENTAL DISCLOSURE OF NONCASH AMOUNTS

In-kind donations	<u>\$ 117,791</u>
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The accompanying notes are an integral part of these financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION

Los Rios Community College District (the District) was established on July 1, 1964 and commenced operations on July 1, 1965 as a political subdivision of the State and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates four colleges and six campuses located throughout the areas served in the counties of El Dorado, Placer, Sacramento, Solano, and Yolo. While the District is a political subdivision of the State, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB). The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

GASB provides additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by GASB, the financial reporting entity consists of the primary government, the District, and the following component unit:

- Los Rios Colleges Foundation

The Los Rios Colleges Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 1919 Spanos Court, Sacramento, CA 95825.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive entity-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Revenues resulting from nonexchange transactions, in which the District receives value without directly giving equal value in return are classified as nonoperating revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined by GASB. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. Operating expenses include employee salaries and benefits, supplies, operating expenses, and student financial aid. All other expenses not meeting this definition are reported as nonoperating and include interest expense and other expenses not directly related to the services of the District. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with the Sacramento County Treasury (County) for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Restricted Investments

Investments held at June 30, 2019 are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$441,276 for the year ended June 30, 2019.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2019.

Inventories

Inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the first in – first out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$200 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years, portables 15 years, land improvements 10 years, equipment 8 years, library books 5 years, and technology equipment 3 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charge on refunding, pension related items, and OPEB related items.

Deferred charge on refunding results from the differences in the carrying value and reacquisition price of the refunded debt and is amortized using the straight-line method over the remaining life of the new debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension and OPEB related items.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Los Rios College Retiree Health Benefit Trust (OPEB Trust) and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported in the OPEB trust financial statements. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The Counties of El Dorado, Placer, Sacramento, Solano, and Yolo bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Foundation Financial Statement Presentation

The Los Rios Colleges Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. As permitted by the codification, the Foundation does not use fund accounting.

With Donor Restrictions: Net assets subject to donor-imposed stipulations. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes or the net assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Without Donor Restrictions: Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District implemented this Statement as of June 30, 2019. The requirements of this Statement were applied prospectively.

Future Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

Investment in the Debt Securities – The District has proceeds from general obligation bonds which are temporarily invested by the County of Sacramento, non-pooled investment portfolio, until needed for assigned capital expenditures. The investment policy for GO bonds is set forth in the bond indenture, which are limited to those authorized by California Government Code Section 53061 et seq. The County's own investment policies may impose additional limitations beyond those required by Government Code.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

	Primary Government	Fiduciary Funds	Foundation
Cash and cash equivalents	\$ 265,727,874	\$ 6,911,073	\$ 743,948
Restricted investments	107,291,751	127,202,090	14,145,203
Restricted cash and cash equivalents	112,904,905	-	-
Total Deposits and Investments	<u>\$ 485,924,530</u>	<u>\$ 134,113,163</u>	<u>\$ 14,889,151</u>
Cash on hand and in banks	\$ 5,602,899	\$ 954,610	\$ 743,948
Cash in revolving	145,370	11,825	-
Cash awaiting deposit	10,586,954	967	-
Money market funds	-	3,714,304	-
Investments - County Treasury Pool	357,135,474	1,499,615	-
Investments - LAIF	5,162,082	729,752	-
Investments - other	107,291,751	127,202,090	14,145,203
Total Deposits and Investments	<u>\$ 485,924,530</u>	<u>\$ 134,113,163</u>	<u>\$ 14,889,151</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County treasury pool and LAIF.

Segmented Time Distribution

Information about the sensitivity of the fair values of the investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the investments by maturity:

Investment Type	Fair Value	Not Applicable	Maturity in Years	
			1-5	>5
County Treasury Pool	\$ 357,135,474	\$ 357,135,474	\$ -	\$ -
LAIF	5,891,834	5,891,834	-	-
Debt securities and other investments	248,639,044	-	248,639,044	-
Total	<u>\$ 611,666,352</u>	<u>\$ 363,027,308</u>	<u>\$ 248,639,044</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA	Aa	Unrated
County Treasury Pool	\$ 357,135,474	\$ 357,135,474	\$ -	\$ -	\$ -
LAIF	5,891,834	5,891,834	-	-	-
Debt Securities:					
United States Treasury Bill (USTB)	24,654,000	-	24,654,000	-	-
US Agencies:					
Federal Home Loan Bank (FHLB)	82,637,751	-	82,637,751	-	-
Miscellaneous:					
Mutual funds and other securities	141,347,293	-	-	-	141,347,293
Total	<u>\$ 611,666,352</u>	<u>\$ 363,027,308</u>	<u>\$ 107,291,751</u>	<u>\$ -</u>	<u>\$ 141,347,293</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Reported Amount</u>
Debt Securities	United States Treasury Bill (USTB)	\$ 24,654,000
Debt Securities	Federal Home Loan Bank (FHLB)	82,637,751

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, District bank balances of approximately \$17,000,000 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Uncategorized - Investments in the County Treasury Pool and LAIF are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Debt securities and other investments are classified as level 2 because they are valued using a matrix pricing model.

The fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury Pool	\$ 357,135,474	\$ -	\$ -	\$ -	\$ 357,135,474
LAIF	5,891,834	-	-	-	5,891,834
Debt securities and other investments	248,639,044	-	248,639,044	-	-
Total	<u>\$ 611,666,352</u>	<u>\$ -</u>	<u>\$ 248,639,044</u>	<u>\$ -</u>	<u>\$ 363,027,308</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources as follows:

Federal Government	
Categorical aid	\$ 5,372,300
State Government	
Apportionment	8,169,401
Categorical aid	5,844,981
Lottery	2,168,540
Local Sources	
Interest	4,090,137
Other local sources	7,003,941
Less allowance for uncollectible amounts	(441,276)
Total	<u>\$ 32,208,024</u>

The District calculates the allowance for uncollectible amounts based on 20% of student receivables.

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 6,870,382	\$ -	\$ -	\$ 6,870,382
Construction in progress	35,312,377	37,083,057	(2,432,928)	69,962,506
Collectibles	1,697,400	-	-	1,697,400
Total Capital Assets Not Being Depreciated	<u>43,880,159</u>	<u>37,083,057</u>	<u>(2,432,928)</u>	<u>78,530,288</u>
Capital Assets Being Depreciated				
Site improvements	72,974,368	627,085	-	73,601,453
Buildings and improvements	768,584,205	10,598,338	-	779,182,543
Equipment	174,919,985	12,063,010	(112,107)	186,870,888
Library books	5,992,074	735,943	(886,868)	5,841,149
Total Capital Assets Being Depreciated	<u>1,022,470,632</u>	<u>24,024,376</u>	<u>(998,975)</u>	<u>1,045,496,033</u>
Total Capital Assets	<u>1,066,350,791</u>	<u>61,107,433</u>	<u>(3,431,903)</u>	<u>1,124,026,321</u>
Less Accumulated Depreciation				
Site improvements	(55,019,027)	(2,999,561)	-	(58,018,588)
Buildings and improvements	(189,525,884)	(14,415,608)	-	(203,941,492)
Equipment	(137,782,886)	(11,276,942)	96,942	(148,962,886)
Library books	(4,455,018)	(600,293)	886,866	(4,168,445)
Total Accumulated Depreciation	<u>(386,782,815)</u>	<u>(29,292,404)</u>	<u>983,808</u>	<u>(415,091,411)</u>
Net Capital Assets	<u>\$ 679,567,976</u>	<u>\$ 31,815,029</u>	<u>\$ (2,448,095)</u>	<u>\$ 708,934,910</u>

Depreciation expense for the year was \$29,283,171.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7- LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Certificates of Participation					
General obligation bonds	\$ 413,020,000	\$ 80,000,000	\$ 16,830,000	\$ 476,190,000	\$ 20,675,000
Bond issuance premiums	34,236,425	3,209,750	3,638,286	33,807,889	3,390,107
Subtotal	447,256,425	83,209,750	20,468,286	509,997,889	24,065,107
Certificates of participation	440,000	-	440,000	-	-
Certificates of participation issuance premiums	2,484	-	2,484	-	-
Total Bonds and Certificates of Participation	<u>\$ 447,698,909</u>	<u>\$ 83,209,750</u>	<u>\$ 20,910,770</u>	<u>\$ 509,997,889</u>	<u>\$ 24,065,107</u>

Description of Debt

General obligation bonds were approved by local elections in 2002 and 2008. The total amount approved by the voters was \$740,000,000. At June 30, 2019, \$600,000,000 had been issued and \$476,190,000 was outstanding. Interest rates on the bonds are range from 2.00 to 6.40 percent.

On June 26, 2019, the District issued 2019 General Obligation Bonds, Measure M, Series D in the amount of \$80 million. Interest rates range from 4.00% to 5.00% with principal payments beginning August 2021 and ending August 2045.

The certificates of participation were issued in May 2006 in the amount of \$7,055,000 to fund projects throughout the District. At June 30, 2019, the certificates of participation were paid in full.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Description	Issue Date	Maturity Date	Retired Date	Interest Rate	Original Issue	Refunding Issuance	Balance Beginning of Year	Issued	Payments	Balance End of Year
Measure A Bonds										
2002 Series D	8/4/2009	8/1/2034	4/1/2016	2.00-5.375%	\$ 55,000,000	\$ -	\$ 3,435,000	\$ -	\$ 1,675,000	\$ 1,760,000
2002 Series E	6/27/2013	8/1/2038	N/A	2.00-5.00%	20,000,000	-	17,800,000	-	600,000	17,200,000
2002 Series F	1/25/2018	8/1/2023	N/A	2.00-4.00%	27,500,000	-	27,500,000	-	-	27,500,000
2010 Refunding	10/7/2010	8/1/2027	N/A	2.00-5.00%	-	21,025,000	14,055,000	-	1,135,000	12,920,000
2011 Refunding	10/20/2011	8/1/2027	N/A	2.00-5.00%	-	40,195,000	29,945,000	-	2,685,000	27,260,000
2012 Refunding	10/20/2011	8/1/2030	N/A	2.00-5.25%	-	62,920,000	52,515,000	-	2,695,000	49,820,000
2016 Refunding	4/21/2016	8/1/2026	N/A	2.00-5.00%	-	39,315,000	33,865,000	-	2,760,000	31,105,000
Total Measure A					<u>265,000,000</u>	<u>163,455,000</u>	<u>179,115,000</u>	<u>-</u>	<u>11,550,000</u>	<u>167,565,000</u>
Measure M Bonds										
2008 Series A	10/19/2010	8/1/2035	N/A	2.00-5.00%	130,000,000	-	6,055,000	-	1,650,000	4,405,000
2008 Series B	6/27/2013	8/1/2038	N/A	2.00-5.00%	60,000,000	-	56,000,000	-	1,100,000	54,900,000
2008 Series C	1/25/2018	8/1/2032	N/A	2.00-4.00%	65,000,000	-	65,000,000	-	-	65,000,000
2008 Series D	6/26/2019	8/1/2044	N/A	4.00-5.00%	80,000,000	-	-	80,000,000	-	80,000,000
2017 Refunding	11/30/2017	8/1/2035	N/A	2.00-5.00%	-	106,850,000	106,850,000	-	2,530,000	104,320,000
Total Measure M					<u>335,000,000</u>	<u>106,850,000</u>	<u>233,905,000</u>	<u>80,000,000</u>	<u>5,280,000</u>	<u>308,625,000</u>
Total Bond Measures					<u>\$ 600,000,000</u>	<u>\$ 270,305,000</u>	<u>\$ 413,020,000</u>	<u>\$ 80,000,000</u>	<u>\$ 16,830,000</u>	<u>\$ 476,190,000</u>

Debt Maturity

General Obligation Bonds

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 20,675,000	\$ 18,585,285	\$ 39,260,285
2021	40,530,000	18,554,163	59,084,163
2022	41,525,000	16,880,750	58,405,750
2023	24,130,000	15,514,450	39,644,450
2024	26,475,000	14,431,025	40,906,025
2025-2029	126,175,000	54,531,875	180,706,875
2030-2034	107,985,000	27,196,963	135,181,963
2035-2039	60,940,000	9,230,875	70,170,875
2040-2044	22,075,000	2,695,600	24,770,600
2045	5,680,000	85,200	5,765,200
Total	<u>\$ 476,190,000</u>	<u>\$ 177,706,186</u>	<u>\$ 653,896,186</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 the 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 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.

Other Post Employment Benefits (OPEB)

OPEB Plan Administration

The District administers the Los Rios Community College District Retiree Health Benefit Plan (OPEB Plan), a single-employer defined benefit healthcare plan. The Board established the Los Rios Community College District Retiree Health Benefits Trust (OPEB Trust). The Board appointed the members of the Los Rios Community College District Retiree Health Benefits Trust Oversight Committee (Committee) to manage, direct and control the OPEB Trust. The Committee members consists of the Vice Chancellor, Finance and Administration, Director, Accounting Services, the Confidential Senior Financial Analyst and two members of the District's Insurance Review Committee. The Board appointed Wells Fargo Bank, N.A. to serve as the trustee and investment manager of the OPEB Trust. The OPEB Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB).

OPEB Trust Financial Report

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Trust financial report, which may be obtained from the District.

OPEB Plan Membership

As of the valuation date, June 30, 2017, the OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,007
Active plan members	1,949
	<u>2,956</u>

Contributions

The District provides contributions on a pay-as-you-go basis and contributes to the OPEB Trust. The contribution requirements of the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's OPEB Plan members are not required to contribute to the OPEB Plan. During the year ended June 30, 2019, the District contributed \$5,341,823 to the OPEB Trust of which \$2,866,680 was used for current benefit payments.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

The District’s benefits provided to retirees are based on Government Code sections collectively known as Public Employees' Medical & Hospital Care Act (PHMHCA), which vary among different collective bargaining agreements. The following is a description of the current OPEB Plan benefits.

	<u>LRCEA</u>	<u>LRSA</u>	<u>LRCFT</u>	<u>SEIU</u>	<u>Management and Confidential</u>
Benefit types provided	Medical only	Medical only	Medical only	Medical only	Medical only
Duration of benefits	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Required years of service					
Prior to 2/1/89	3				
Prior to 6/30/84					3
Prior to 6/30/90		10	10	7	
7/1/84-6/30/90					7
2/1/89-6/30/90	7				
7/1/90-8/31/93	12				
7/1/90-12/31/12					10
7/1/90-current		15	15	15	
9/1/93-current	15				
1/1/13-current					15
Minimum age	55	55	55	55	55
Current District monthly contribution	\$280	\$280	\$280	\$280	\$280

Actuarial Assumptions

To develop the total OPEB liability at the beginning of the measurement period (June 30, 2017), the actuary rolled forward the results of the June 1, 2017 valuation. The total OPEB liability was determined by an actuarial valuation using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 1, 2017
Measurement date	June 30, 2018
Funding method	Entry-age normal cost, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	5.00%
General inflation rate	2.75%
Salary increases ⁽¹⁾	3.25%
Long-term return on assets ⁽²⁾	5.00%
Mortality - Classified ⁽³⁾	CalPERS' Membership Data
Mortality - Certificated ⁽⁴⁾	CalSTRS' Membership Data
Health care cost trend rates ⁽⁵⁾	5-8%

⁽¹⁾ Since benefits do not depend on salary, this is used only to allocate the costs of benefits between service years.

⁽²⁾ Net of OPEB Plan investment expense; includes inflation.

⁽³⁾ The mortality table used was developed based on CalPERS-specific data. The table

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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) 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 adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.
- (5) Assumed to start at 8% and grade down to 5% for years 2024 and thereafter.

The long-term expected rate of return on the OPEB 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 the OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and added expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	9.24%
Fixed Income	2.88%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that the District continues to make regular, sufficient contributions to the OPEB Trust in order to prefund the total OPEB liability. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current OPEB Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Changes in the Net OPEB Asset

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a)-(b)
Service cost	\$ 3,977,329	\$ -	\$ 3,977,329
Interest	5,471,925	-	5,471,925
Net investment income	-	4,723,266	(4,723,266)
Difference between expected and actual experience	3,910,439	-	3,910,439
Contributions - employer	-	3,377,713	(3,377,713)
Benefit payments	(3,193,580)	(3,193,580)	-
Change in OPEB asset	10,166,113	4,907,399	5,258,714
Net OPEB asset, July 1, 2018	107,057,954	116,667,660	(9,609,706)
Net OPEB asset, June 30, 2019	<u>\$ 117,224,067</u>	<u>\$ 121,575,059</u>	<u>\$ (4,350,992)</u>

Sensitivity of the District's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease 4.0%	Current Discount Rate 5.0%	1% Increase 6.0%
Net OPEB liability (asset)	<u>\$ 15,199,522</u>	<u>\$ (4,350,992)</u>	<u>\$ (20,097,176)</u>

Sensitivity of the District's Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (7% decreasing to 4%)	Current Healthcare Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Net OPEB liability (asset)	<u>\$ (24,417,222)</u>	<u>\$ (4,350,992)</u>	<u>\$ 23,084,922</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$4,301,464. The District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments		\$ 289,326
Differences between expected and actual experience	\$ 3,361,990	
OPEB contributions subsequent to the measurement date	5,553,625	
Total	<u>\$ 8,915,615</u>	<u>\$ 289,326</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the subsequent fiscal year. The deferred outflows/(inflows) of resources related the net differences between projected and actual earnings on OPEB Plan investments will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows)of Resources
2020	\$397,224
2021	397,224
2022	397,225
2023	712,797
2024	548,449
2025	619,745

NOTE 8 – LEASE REVENUE BONDS

The District and the State 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 made adequate provision in the annual budget of the State for the services 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, 2019.

These facilities are included in the District’s capital assets on the Statement of Net Position. The Board leases the facilities contributed with these bonds to the District. Upon full repayment of the associated bonds, title to the facilities conveys to the District. The following facilities that were constructed under the provisions described above and have minimum annual payments remaining at June 30, 2019 were as follows:

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Facility	Lease Term	Proceeds From State	Funding Year	Minimum Annual Payments
Folsom Lake College Instructional Facilities IB	2005-2030	\$ 36,841,000	2001-02	\$809,709 to \$2,499,000

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Estimated losses and changes in prior year reserve balances are expensed in the current period.

Property and Liability

The District is self-insured for property damage and liability on the first \$100,000 and \$250,000 of each claim, respectively. Coverage in excess of self-insurance limits for property damage and liability up to \$250,250,000 and \$55,000,000, respectively, are provided by pooled insurance as members of two joint powers authorities of California community colleges and school districts.

Type of Coverage	District Deductible	JPA Coverage	Excess Insurance
Property	\$100,000	SWACC \$100,001 to \$250,000	SAFER \$250,001 to \$250,250,000
Liability	\$250,000	SWACC \$250,001 to \$5,000,000	SAFER \$5,000,001 to \$55,000,000

Workers' Compensation

The District is self-insured for workers' compensation claims on the first \$500,000 of each claim. Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2019, the District participated 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 education 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 also a participant in the Statewide Association of Community Colleges (SWACC). SWACC 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 and liability claims and losses against public educational agencies who are members thereto. Should property claims exceed amounts funded by SWACC by all participants, the District may be required to provide additional funding. Should liability claims exceed established SWACC limits, the District has excess coverage with SELF. SWACC 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. SELF and SWACC are independently accountable for their fiscal matters and are not component units of the District for financial reporting purposes.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

Liability Balance, July 1, 2017	\$ 10,960,136
Claims and changes in estimates	504,379
Claims payments	<u>(1,479,612)</u>
Liability Balance, June 30, 2018	9,984,903
Claims and changes in estimates	1,490,756
Claims payments	<u>(988,278)</u>
Liability Balance, June 30, 2019	<u>\$ 10,487,381</u>
Assets Available to Pay Claims at June 30, 2019	<u><u>\$ 11,269,512</u></u>

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 223,885,883	\$ 68,778,435	\$ 20,094,647	\$ 25,167,114
CalPERS	158,720,637	44,444,167	6,616,621	16,466,589
Total	<u>\$ 382,606,520</u>	<u>\$ 113,222,602</u>	<u>\$ 26,711,268</u>	<u>\$ 41,633,703</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

CalSTRS Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<https://www.calstrs.com/actuarial-financial-and-investor-information>.

CalSTRS Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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CalSTRS Contributions

Required member, District, and State contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were \$21,585,563.

CalSTRS On Behalf Payments

The State makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2019, 2018, and 2017, which amounted to \$18,172,501, \$11,200,313, and \$7,647,083, respectively, (9.828 percent) of salaries subject to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State 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:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 223,885,883
State's proportionate share of net pension liability associated with the District	128,185,139
Total	<u>\$ 352,071,022</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2436 percent and 0.2361 percent, respectively, resulting in a net increase of 0.0075 percent in the proportionate share.

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For the year ended June 30, 2019, the District recognized pension expense of \$25,167,144. In addition, the District recognized revenue of \$18,172,501 for support provided by the State. At June 30, 2019, 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
Pension contributions subsequent to measurement date	\$ 21,585,563	\$ -
Net change in proportionate share of net pension liability	11,717,336	8,221,560
Differences between projected and actual earnings on pension plan investments	-	8,621,021
Differences between expected and actual experience in the measurement of the total pension liability	694,261	3,252,066
Change of assumptions	34,781,275	
Total	<u>\$ 68,778,435</u>	<u>\$ 20,094,647</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ 1,871,867
2021	(1,358,276)
2022	(7,232,702)
2023	(1,901,910)

The deferred outflow/inflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 7,556,027
2021	7,556,027
2022	7,556,027
2023	5,979,599
2024	6,261,183
Thereafter	810,385

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CalSTRS Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return	9%	2.90%
Inflation sensitive	4%	3.80%
Cash / liquidity	2%	-1.00%

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CalSTRS Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 327,966,620
Current discount rate (7.10%)	\$ 223,885,883
1% increase (8.10%)	\$ 138,592,853

California Public Employees' Retirement System (CalPERS)

CalPERS Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2017. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

CalPERS Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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NOTES TO FINANCIAL STATEMENTS

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The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

CalPERS Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were \$14,619,968.

CalPERS On Behalf Payments

The State makes contributions to CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalPERS for the fiscal years ended June 30, 2019, 2018, and 2017, which amounted to \$5,381,331, \$0, and \$0, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$158,720,637. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.5953 percent and 0.5793 percent, respectively, resulting in a net increase in the proportionate share of 0.0159 percent.

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NOTES TO FINANCIAL STATEMENTS

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For the year ended June 30, 2019, the District recognized pension expense of \$16,466,589. In addition, the District recognized revenue of \$5,381,331 for support provided by the state. At June 30, 2019, 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
Pension contributions subsequent to measurement date	\$ 14,619,968	\$ -
Net change in proportionate share of net pension liability	2,269,635	6,616,621
Difference between projected and actual earnings on pension plan investments	1,301,865	-
Differences between expected and actual experience in the measurement of the total pension liability	10,405,144	-
Changes of assumptions	15,847,555	-
Total	<u>\$ 44,444,167</u>	<u>\$ 6,616,621</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 4,735,170
2021	1,132,375
2022	(3,628,844)
2023	(936,836)

The deferred outflows/inflows of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSLS of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 4,735,170
2021	1,132,375
2022	(3,628,844)
2023	(936,836)

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CalPERS Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

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 returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real estate	13%	4.93%
Liquidity	1%	-0.92%

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

CalPERS Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 231,089,658
Current discount rate (7.15%)	\$ 158,720,637
1% increase (8.15%)	\$ 98,680,175

Tax Deferred Compensation

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to the Public Agency Retirement Services (PARS) system.

The District offers its employees a Public Agency Retirement System (PARS) administered 457 Deferred Compensation Program (the Program). The 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 such as 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 the fiscal year ended June 30, 2019 was \$371,369. Accounts are established in the name of each participant. Contributions are allocated directly to employee accounts. Participant account balances are fully vested and non-forfeitable. Participant account balances will be paid in a single distribution or direct rollover to another eligible retirement plan designed 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.

The District also contributes to the Los Rios Community College District 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Construction Commitments

As of June 30, 2019, the District had \$49,352,654 of commitments with respect to the unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.



REQUIRED SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
	Measurement date 2018	Measurement date 2017
Total OPEB Asset		
Service cost	\$ 3,977,329	\$ 3,852,135
Interest	5,471,925	5,163,916
Differences between expected and actual experience	3,910,439	-
Benefit payments	(3,193,580)	(2,768,581)
Net changes in total OPEB asset	<u>10,166,113</u>	<u>6,247,470</u>
Total OPEB Asset - beginning	<u>107,057,954</u>	<u>100,810,484</u>
Total OPEB Asset - ending (a)	<u>117,224,067</u>	<u>107,057,954</u>
 Plan fiduciary net position		
Contributions - employer	3,377,713	3,351,026
Net investment income	4,723,266	7,044,472
Benefit payments	(3,193,580)	(2,768,581)
Net change in plan fiduciary net position	<u>4,907,399</u>	<u>7,626,917</u>
Plan fiduciary net position - beginning	<u>116,667,660</u>	<u>109,040,743</u>
Plan fiduciary net position - ending (b)	<u>121,575,059</u>	<u>116,667,660</u>
District's net OPEB (asset) - ending (a) - (b)	<u>\$ (4,350,992)</u>	<u>\$ (9,609,706)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>103.71%</u>	<u>108.98%</u>
Covered-employee payroll	<u>\$ 218,057,096</u>	<u>\$ 206,563,055</u>
District's net OPEB asset as a percentage of covered-employee payroll	<u>2.00%</u>	<u>4.65%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,011,340	\$ -
Contributions in relation to the actuarially determined contribution	5,553,625	3,377,713
Contribution deficiency (excess)	<u>\$ (4,542,285)</u>	<u>\$ (3,377,713)</u>
Covered-employee payroll	<u>\$ 218,057,096</u>	<u>\$ 206,563,055</u>
Contribution as a percentage of covered-employee payroll	<u>2.55%</u>	<u>1.64%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	2019 <u>Measurement date 2018</u>	2018 <u>Measurement date 2017</u>	2017 <u>Measurement date 2016</u>	2016 <u>Measurement date 2015</u>	2015 <u>Measurement date 2014</u>
CalSTRS					
District's proportion of the net pension liability (asset)	0.2436%	0.2361%	0.2512%	0.2540%	0.2540%
District's proportionate share of the net pension liability (asset)	\$ 223,885,883	\$ 218,378,653	\$ 203,170,928	\$ 171,002,960	\$ 148,429,980
State's proportionate share of the net pension liability (asset) associated with the District	128,185,139	129,190,966	115,661,585	90,496,390	89,605,779
Total	<u>\$ 352,071,022</u>	<u>\$ 347,569,619</u>	<u>\$ 318,832,513</u>	<u>\$ 261,499,350</u>	<u>\$ 238,035,759</u>
District's covered - employee payroll	<u>\$ 135,556,788</u>	<u>\$ 129,143,886</u>	<u>\$ 128,872,601</u>	<u>\$ 119,125,206</u>	<u>\$ 111,268,958</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>165%</u>	<u>169%</u>	<u>158%</u>	<u>144%</u>	<u>133%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS					
District's proportion of the net pension liability (asset)	<u>0.5953%</u>	<u>0.5793%</u>	<u>0.6079%</u>	<u>0.6383%</u>	<u>0.6295%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 158,720,637</u>	<u>\$ 138,304,139</u>	<u>\$ 120,060,427</u>	<u>\$ 94,086,050</u>	<u>\$ 71,463,577</u>
District's covered - employee payroll	<u>\$ 82,500,308</u>	<u>\$ 77,419,169</u>	<u>\$ 76,206,257</u>	<u>\$ 71,316,255</u>	<u>\$ 68,255,629</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>192%</u>	<u>179%</u>	<u>158%</u>	<u>132%</u>	<u>105%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	\$ 21,585,563	\$ 19,566,444	\$ 16,500,606	\$ 12,979,900	\$ 10,573,510
Contributions in relation to the contractually required contribution	(21,585,563)	(19,566,444)	(16,500,606)	(12,979,900)	(10,573,510)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 132,829,695	\$ 135,556,788	\$ 129,143,886	\$ 128,872,601	\$ 119,125,206
Contributions as a percentage of covered - employee payroll	-16.25%	-14.43%	-12.8%	-10.1%	-8.9%
CalPERS					
Contractually required contribution	\$ 14,619,968	\$ 12,730,993	\$ 10,751,974	\$ 8,635,679	\$ 8,404,663
Contributions in relation to the contractually required contribution	(14,619,968)	(12,730,993)	(10,751,974)	(8,635,679)	(8,404,663)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 81,545,026	\$ 82,500,308	\$ 77,419,169	\$ 76,206,257	\$ 71,316,255
Contributions as a percentage of covered - employee payroll	-17.9%	-15.4%	-13.9%	-11.3%	-11.8%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Asset and Related Ratios

This schedule presents information on the District's changes in the net OPEB asset, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions for OPEB

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions - There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of District Contributions for Pension

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2019

Los Rios Community College District was established on July 1, 1964 and commenced operations on July 1, 1965 and is comprised of an area of approximately located in the areas served in El Dorado, Placer, Sacramento, Solano, and Yolo Counties. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
John Knight	President	2020
Robert Jones	Vice President	2022
Ruth Scribner	Member	2020
Pamela Haynes	Member	2020
Dustin Johnson	Member	2022
Deborah Ortiz	Member	2022
Tami Nelson	Member	2020
Isabella-Marie Engel	Student Trustee	2020

DISTRICT ADMINISTRATION

Dr. Brian King	Chancellor
Mario Rodriguez	Vice Chancellor, Finance and Administration
Jamey Nye, Ph.D.	Deputy Chancellor

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department Of Education			
<i>Student Financial Aid Cluster</i>			
Pell Grant	84.063	N/A	\$ 67,362,592
Federal Direct Loans	84.268	N/A	18,523,121
Supplemental Education Opportunity Grants	84.007	N/A	2,296,720
College Work Study	84.033	N/A	1,954,092
<i>Total Financial Aid Cluster</i>			<u>90,136,525</u>
<i>TRIO Cluster</i>			
TRIO Student Support Services	84.042A	P042A150960	209,993
TRIO Student Support Services	84.042A	P042A101302	21,817
TRIO STEM Student Support Services	84.042A	P042A150995	228,621
TRIO Veterans Student Support Services	84.042A	P042A150982	260,045
TRIO Natomas Talent Search Program	84.044A	P044A160790	233,288
TRIO San Juan Unified School District Talent Search Program	84.044A	P044A160784	290,430
TRIO Twin Rivers Talent Search Program	84.044A	P044A160782	270,974
TRIO Upward Bound: Inderkum HS	84.047	P047A170822	326,122
TRIO Upward Bound: Center HS	84.047	P047A170838	317,508
TRIO Upward Bound: Monterey Trail & Valley HS	84.047	P047A170833	303,008
TRIO Upward Bound: Florin HS	84.047	P047A170831	296,759
<i>Total TRIO Cluster</i>			<u>2,758,565</u>
Strengthening Institutions Programs	84.031A	P031A160135	685,346
Hispanic-Serving Institutions Program - STEM & Articulation Programs	84.031C	P031C160230	721,298
Hispanic-Serving Institutions Program	84.031S	P031S150200	746,753
<i>Total Hispanic Serving Institutions Programs</i>			<u>2,153,397</u>
Asian American & Native American Pacific Islander Serving Institutions	84.382B	P382B160051	431,403
<i>Passed Through California Department of Education</i>			
Perkins Title I, Part C	84.048	15-C01-028	2,657,841
<i>Passed Through Butte Community College</i>			
Perkins CTE Transitions	84.048	16-112-230	165,508
Vocational and Applied Technology Education Act, Title I, Part B	84.048	POB0021936	4,347
<i>Total Perkins</i>			<u>2,827,696</u>
<i>Passed Through Department of Rehabilitation</i>			
Workability III	84.126A	29985	211,465
College to Career	84.126A	30501	250,000
<i>Total Workability</i>			<u>461,465</u>
<i>Passed Through The Regents of the University of California</i>			
Open Textbooks Pilot Program	84.116	P116T180029	35,768
<i>Passed Through University Enterprises Inc.</i>			
California Mathematics Readiness Challenge Initiative	84.367B	528781E	7,027
<i>Passed Through California Department of Food and Agriculture</i>			
Study of New World of World	84.305A	N/A	14,312
Total U.S. Department of Education			<u>98,826,158</u>

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
TANF Cluster			
Temporary Assistance to Needy Families	93.558	DHA-CW-232-16	398,839
477 Cluster			
<i>Passed Through San Francisco Community College</i>			
California Early Childhood Mentor Program	93.575	CN150142	11,992
<i>Passed Through Yosemite Community College</i>			
Child Care Access	93.575	15-16-7694	69,820
<i>Total 477 Cluster - Child Care Access</i>			81,812
<i>Passed Through Foundation for California Community Colleges</i>			
Independent Living Program	93.674	NA	22,500
<i>Passed Through California Community College Chancellor's Office</i>			
Vocational and Applied Technology Education Act - Title IVE - Foster Care	93.658	NA	139,770
Total U.S. Department of Health and Human Services			642,921
U.S. Department Of Agriculture			
<i>Passed Through California Department of Food and Agriculture</i>			
Hong Kong Food Expo	10.170	18-0421-001-ST	4,113
Climate Smart Agricultural Delegation	10.170	16-0555-075-SC	1,104
<i>Total Speciality Crop Block Grant Program - Farm Bill</i>			5,217
<i>Passed Through California Department of Education</i>			
Child Care Food Program	10.558	1502-3A	113,499
Total U.S. Department of Agriculture			123,933
U.S. Department Of Labor Employment and Training Administration			
Rural Business Enterprise Grant	17.268	AP-27832-15-60-A-6	708,781
WIAO Cluster			
<i>Passed Through Sacramento Employment & Training Agency</i>			
PowerPathway - Veterans' Employment Assist. Program	17.258	098VEAP(A)	10,400
Total U.S. Department Of Labor Employment and Training Administration			719,181
U.S. Small Business Administration			
CITD STEP V	59.061	17-0458-003-ST	102,467
<i>Passed Through California Community Colleges Chancellor's Office</i>			
California State Trade Expansion	59.061	18-0421-001-ST	28,120
Total U.S. Small Business Administration			130,587
U.S. Department Of Social Services			
<i>Passed Through Foundation for Community Colleges</i>			
Fresh Success Employment & Training (Basic Skills)	10.561	FRS-005-17	55,635
Total U.S. Department of Social Services			55,635
U.S. Department Of Veterans Affairs			
Vocational and educational counseling for service members and veterans	64.125	N/A	28,200
Other			
Americorp	94.006	N/A	177,105
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 100,698,503

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Basic Skills Initiative (BSI)	\$ 1,698,918	\$ -	\$ 4,710	\$ 1,694,208	\$ 1,694,208
Basic Skills Partnership Program Pilot	2,524,055	-	2,042,356	481,699	481,699
Basic Skills Student Outcomes Transformation	-	1,349,847	14,617	1,335,230	1,335,230
Board Financial Assistance Program (BFAP)	2,863,166	-	40,000	2,823,166	2,823,166
Cal Grant	6,459,660	-	33,235	6,426,425	6,426,425
California College Promise	1,761,744	-	438,322	1,323,422	1,323,422
CalWORKS	2,472,981	5,137	-	2,478,118	2,478,118
Capital Outlay Projects	6,903,682	66,883	2,800,738	4,169,827	4,169,827
Career Technical Education	287,769	581,289	19,266	849,792	849,792
CCCCO SSSP, SE, and SFAP Setaside Grants	12,442,683	-	5,357,696	7,084,987	7,084,987
CDC California Child Care & Food Program	1,455,026	25,838	21,456	1,459,408	1,459,408
CDF Tax Bailout	198,601	-	-	198,601	198,601
Community College Completion Grant	4,556,070	-	332,284	4,223,786	4,223,786
Cooperative Agency Resource Education (CARE)	651,861	-	16,948	634,913	634,913
Disabled Students Program & Services (DSPS)	5,741,735	140,000	442,684	5,439,051	5,439,051
Economic Development	2,209,449	884,139	1,363,191	1,730,397	1,730,397
Equal Employment Opportunity	67,047	-	17,250	49,797	49,797
Extended Opportunity Program & Services (EOPS)	4,147,554	-	718	4,146,836	4,146,836
Financial Aid Technology	617,064	38,181	576,975	78,270	78,270
Foster Care Program	2,063,039	73,116	107,324	2,028,831	2,028,831
Guided Pathways	2,809,844	-	1,258,173	1,551,671	1,551,671
Innovation and Effectiveness (IEPI)	201,217	10,000	-	211,217	211,217
Makerspace	796,725	-	-	796,725	796,725
Other	2,407,977	189,866	744,493	1,853,350	1,853,350
Proposition 39 Clean Energy Fund	5,091,782	18,375	413,805	4,696,352	4,696,352
State Instructional Materials Grant	1,419,704	-	724,571	695,133	695,133
Strong Workforce Program	19,020,847	1,102,133	11,414,060	8,708,920	8,708,920
Student Equity (SE)	6,415,170	-	507,343	5,907,827	5,907,827
Student Success and Support Program (SSSP)	14,450,024	-	1,378,400	13,071,624	13,071,624
Workforce and Economic Development	33,500	-	12,843	20,657	20,657
Total State Programs	\$ 111,768,894	\$ 4,484,804	\$ 30,083,458	\$ 86,170,240	\$ 86,170,240

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	10.84	-	10.84
2. Credit	3,988.72	-	3,988.72
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	-	-	-
2. Credit	3,304.54	-	3,304.54
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	30,309.93	-	30,309.93
(b) Daily Census Contact Hours	1,457.47	-	1,457.47
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	172.11	-	172.11
(b) Credit	2,585.99	-	2,585.99
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	7,154.58	-	7,154.58
(b) Daily Census Contact Hours	2,182.54	-	2,182.54
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>51,166.72</u>	<u>-</u>	<u>51,166.72</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,544.61	-	1,544.61
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	-	-	-
2. Credit	2,589.90	-	2,589.90
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Noncredit**	12.19	-	12.19
2. Credit	6,753.47	-	6,753.47

* Annual report revised as of November 4, 2019.

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 70,993,749	\$ -	\$ 70,993,749	\$ 70,993,749	\$ -	\$ 70,993,749
Other	1300	40,570,210	-	40,570,210	40,570,210	-	40,570,210
Total Instructional Salaries		111,563,959	-	111,563,959	111,563,959	-	111,563,959
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	26,643,399	-	26,643,399
Other	1400	-	-	-	2,758,936	-	2,758,936
Total Noninstructional Salaries		-	-	-	29,402,335	-	29,402,335
Total Academic Salaries		111,563,959	-	111,563,959	140,966,294	-	140,966,294
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	54,780,574	-	54,780,574
Other	2300	-	-	-	5,172,304	-	5,172,304
Total Noninstructional Salaries		-	-	-	59,952,878	-	59,952,878
Instructional Aides							
Regular Status	2200	5,598,109	-	5,598,109	5,598,109	-	5,598,109
Other	2400	792,858	-	792,858	792,858	-	792,858
Total Instructional Aides		6,390,967	-	6,390,967	6,390,967	-	6,390,967
Total Classified Salaries		6,390,967	-	6,390,967	66,343,845	-	66,343,845
Employee Benefits	3000	53,211,942	-	53,211,942	97,844,022	-	97,844,022
Supplies and Material	4000	-	-	-	3,468,306	-	3,468,306
Other Operating Expenses	5000	6,054,973	-	6,054,973	31,829,942	-	31,829,942
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		177,221,841	-	177,221,841	340,452,409	-	340,452,409

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
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	-	-	-	1,200,683	-	1,200,683
Lottery Expenditures							-
Academic Salaries	1000	1,812,307	-	1,812,307	2,289,935	-	2,289,935
Classified Salaries	2000	91,105	-	91,105	990,651	-	990,651
Employee Benefits	3000	335,896	-	335,896	578,927	-	578,927
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,239,308	-	2,239,308	5,060,196	-	5,060,196
Total for ECS 84362, 50 Percent Law		\$ 174,982,533	\$ -	\$ 174,982,533	\$ 335,392,213	\$ -	\$ 335,392,213
Percent of CEE (Instructional Salary Cost/Total CEE)		52.17%		52.17%	100.00%		100.00%
50% of Current Expense of Education					\$ 167,696,107		\$ 167,696,107

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 49,669,585
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 49,669,585			\$ 49,669,585
Other Support Activities (list b	6XXX				-
Total Expenditures for EPA		\$ 49,669,585	-	-	\$ 49,669,585
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance:

General Funds	\$ 70,411,442
Debt Service Funds	33,736,989
Special Revenue Funds	249,698
Capital Project Funds	262,325,165
Enterprise Funds	9,891,132
Internal Service Funds	13,666,975

**Total Fund Balance as Reported on the Annual Financial
and Budget Report (CCFS-311)**

\$ 390,281,401

Net audit adjustments:

No adjustments were made to the District's Funds

-

Total Fund Balance

390,281,401

Reconciliation of Net Position:

Capital assets, net	708,417,730
Net OPEB asset	4,350,992
Deferred outflows (inflows) of resources related to pensions and OPEB	95,210,781
Deferred charges on debt refunding	10,522,999

Long-term liabilities at year end consist of:

Bonds payable	509,997,889
Net pension obligations	382,606,520

(892,604,409)

Total Net Position

\$ 316,179,494

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils 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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited, in accordance with the 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, the aggregate discretely presented component unit, and the aggregate remaining fund information of Los Rios Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 from 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 This 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

San Ramon, California
December 3, 2019



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

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) 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, 2019. 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 the 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 of 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, 2019.

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 of compliance, we considered the District's internal control over compliance with the types of 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 an 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.



San Ramon, California
December 3, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Los Rios Community College District
Sacramento, California

Report on State Compliance

We have audited Los Rios Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and 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 of each of the District's State programs based on our audit of the types of compliance requirements referred to above. 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 standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.



San Ramon, California
December 3, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS RIOS COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.268, 84.007, 84.033	<u>Student Financial Aid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,020,955</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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LOS RIOS COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.



UNAUDITED SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEETS JUNE 30, 2019

	General	Debt Service	Child Development	Capital Projects	Enterprise	Internal Service	Financial Aid	Governmental Fund Total (Memorandum Only)	Conversion Entries	Full Accrual Total
ASSETS										
Cash and cash equivalents	\$ 123,422,699	\$ 54,695,820	\$ 523,928	\$ 161,875,827	\$ 8,559,343	\$ 24,720,083	\$ 2,367,262	\$ 376,164,962	\$ -	\$ 376,164,962
Investments	-	5,105,568	-	104,654,000	-	-	-	109,759,568	-	109,759,568
Accounts receivable, net	26,804,010	502,203	32,950	2,277,651	2,046,643	319,497	225,070	32,208,024	76	32,208,100
Due from other funds	4,531,275	1,136,820	673,877	3,962,439	-	66,832	87,562	10,458,805	(10,435,926)	22,879
Prepaid expenses and other assets	6,006,592	-	-	586,305	114,485	46,781	-	6,754,163	295	6,754,458
Inventories	-	-	-	-	1,716,200	-	-	1,716,200	-	1,716,200
Net OPEB assets	-	-	-	-	-	-	-	-	4,350,992	4,350,992
Capital assets	-	-	-	-	517,180	-	-	517,180	708,417,730	708,934,910
Total Assets	160,764,576	61,440,411	1,230,755	273,356,222	12,953,851	25,153,193	2,679,894	537,578,902	702,333,167	1,239,912,069
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows related to pensions	-	-	-	-	-	-	-	-	113,222,602	113,222,602
Deferred outflows related to bond refunding	-	-	-	-	-	-	-	-	10,522,999	10,522,999
Deferred outflows related to OPEB	-	-	-	-	-	-	-	-	8,915,615	8,915,615
Total Deferred Outflows	-	-	-	-	-	-	-	-	132,661,216	132,661,216
Total Assets and Deferred Outflows	\$ 160,764,576	\$ 61,440,411	\$ 1,230,755	\$ 273,356,222	\$ 12,953,851	\$ 25,153,193	\$ 2,679,894	\$ 537,578,902	\$ 834,994,383	\$ 1,372,573,285
LIABILITIES										
Accounts payable	\$ 18,834,563	\$ 454	\$ 52,479	\$ 7,721,048	\$ 647,366	\$ 304,395	\$ 98,718	\$ 27,659,023	\$ 76	\$ 27,659,099
Payroll and related liabilities	26,984,923	-	140,328	-	196,497	-	-	27,321,748	-	27,321,748
Accrued interest	-	8,607,189	-	-	-	-	-	8,607,189	-	8,607,189
Due to other funds	7,645,566	402,004	664,124	95,465	1,075,874	646,564	2,146,471	12,676,068	(10,508,785)	2,167,283
Unearned revenue	36,545,999	-	21,456	3,214,544	925,083	-	434,705	41,141,787	-	41,141,787
Compensated absences	342,083	18,693,775	102,670	-	217,899	47,878	-	19,404,305	-	19,404,305
Claims liability	-	-	-	-	-	10,487,381	-	10,487,381	-	10,487,381
Long term debt	-	-	-	-	-	-	-	-	509,997,889	509,997,889
Net pension liability	-	-	-	-	-	-	-	-	382,606,520	382,606,520
Total Liabilities	90,353,134	27,703,422	981,057	11,031,057	3,062,719	11,486,218	2,679,894	147,297,501	882,095,700	1,029,393,201
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows of resources related to pensions	-	-	-	-	-	-	-	-	26,711,268	26,711,268
Deferred inflows of resources related to OPEB	-	-	-	-	-	-	-	-	289,326	289,326
Total Deferred Inflows	-	-	-	-	-	-	-	-	27,000,594	27,000,594
Fund Balances										
Nonspendable	6,081,358	-	-	586,305	1,830,685	-	-	8,498,348	198,419,841	206,918,189
Restricted	5,461,813	33,736,989	-	146,514,405	-	-	-	185,713,207	-	185,713,207
Committed	31,850,000	-	-	-	-	-	-	31,850,000	-	31,850,000
Assigned	-	-	-	101,924,488	-	13,666,975	-	115,591,463	-	115,591,463
Unassigned	27,018,271	-	249,698	13,299,967	8,060,447	-	-	48,628,383	(272,521,752)	(223,893,369)
Total Fund Balances	70,411,442	33,736,989	249,698	262,325,165	9,891,132	13,666,975	-	390,281,401	(74,101,911)	316,179,490
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 160,764,576	\$ 61,440,411	\$ 1,230,755	\$ 273,356,222	\$ 12,953,851	\$ 25,153,193	\$ 2,679,894	\$ 537,578,902	\$ 834,994,383	\$ 1,372,573,285

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General	Debt Service	Child Development	Capital Projects	Enterprise	Internal Service	Financial Aid	Governmental Funds Total (Memorandum Only)	Conversion Entries	Full Accrual Total
REVENUES										
Federal	\$ 12,225,469	\$ -	\$ 113,499	\$ -	\$ -	\$ -	\$ 88,359,539	\$ 100,698,507	\$ -	\$ 100,698,507
State	315,308,924	-	1,737,373	8,580,899	-	-	10,650,211	336,277,407	-	336,277,407
Local	130,210,941	30,965,422	80	765,330	-	-	-	161,941,773	(6,813,716)	155,128,057
Operational	-	-	-	-	18,092,558	6,871,294	-	24,963,852	-	24,963,852
Interest and other	2,278,008	1,122,380	12,503	4,633,434	124,862	576,544	-	8,747,731	-	8,747,731
Total Revenues	460,023,342	32,087,802	1,863,455	13,979,663	18,217,420	7,447,838	99,009,750	632,629,270	(6,813,716)	625,815,554
EXPENDITURES										
Current Expenditures										
Academic salaries	154,914,454	-	-	-	-	-	-	154,914,454	-	154,914,454
Classified salaries	94,151,075	-	1,452,309	-	3,638,645	159,665	-	99,401,694	-	99,401,694
Employee benefits	113,617,254	-	703,868	-	1,077,936	71,060	-	115,470,118	15,545,042	131,015,160
Books and supplies	7,140,539	-	119,122	3,374	173,566	-	-	7,436,601	(4,267,966)	3,168,635
Cost of goods sold	-	-	-	-	8,030,380	-	-	8,030,380	-	8,030,380
Services and operating expenditures	53,015,757	-	13,299	4,740,887	5,072,726	7,686,328	143,584	70,672,581	-	70,672,581
Student financial aid	1,326,100	-	-	-	-	-	103,205,180	104,531,280	-	104,531,280
Capital outlay	8,348,542	-	27,298	50,352,164	-	-	-	58,728,004	(58,728,004)	-
Depreciation	-	-	-	-	164,697	-	-	164,697	29,118,474	29,283,171
Debt service - principal	-	17,270,000	-	-	-	-	-	17,270,000	(17,270,000)	-
Debt service - interest and other	-	17,785,035	-	29,414	-	-	-	17,814,449	(2,781,254)	15,033,195
Total Expenditures	432,513,721	35,055,035	2,315,896	55,125,839	18,157,950	7,917,053	103,348,764	654,434,258	(38,383,708)	616,050,550
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,509,621	(2,967,233)	(452,441)	(41,146,176)	59,470	(469,215)	(4,339,014)	(21,804,988)	31,569,992	9,765,004
OTHER FINANCING SOURCES (USES)										
Operating transfers in	1,456,078	-	484,819	14,781,725	411,315	75,000	4,339,014	21,547,951	(21,472,741)	75,210
Operating transfers out	(19,101,442)	(914,223)	-	(873,457)	(658,848)	-	-	(21,547,970)	21,472,970	(75,000)
Other sources	-	3,209,750	-	80,000,000	-	-	-	83,209,750	(83,209,750)	-
Total Other Financing Sources (Uses)	(17,645,364)	2,295,527	484,819	93,908,268	(247,533)	75,000	4,339,014	83,209,731	(83,209,521)	210
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,864,257	(671,706)	32,378	52,762,092	(188,063)	(394,215)	-	61,404,743	(51,639,529)	9,765,214
FUND BALANCES, BEGINNING OF YEAR	60,547,185	34,408,695	217,320	209,563,073	10,079,195	14,061,190	-	328,876,658	(22,462,382)	306,414,276
FUND BALANCES, END OF YEAR	\$ 70,411,442	\$ 33,736,989	\$ 249,698	\$ 262,325,165	\$ 9,891,132	\$ 13,666,975	\$ -	\$ 390,281,401	\$ (74,101,911)	\$ 316,179,490

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

Fiscal Year	Average Program Based Funding per FTES	Funded Full-Time Equivalent Students (FTES)	Total Computational Revenue
2018-19	\$ 6,333	49,912	\$ 316,096,891

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

Fiscal Year	Secured Tax Charge	Amount Collected June 30	% Collected
2018-19	\$ 19,126,952	\$ 18,973,689	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:

2018-19 Assessed Valuation	\$ 195,607,823,849
Less Unsecured and Utility Assessment	7,173,882,884
Local Secured Assessed Valuation	<u>\$ 188,433,940,965</u>

	Property Owner	2018-19 Assessed Valuation
1	Intel Corporation	\$ 760,283,855
2	BRE Delta Industrial Sacramento LP	\$ 438,333,637
3	City of Sacramento and the Sacramento Kings	\$ 411,410,587
4	Oakmont Properties	\$ 357,102,620
5	Ethan Conrad	\$ 277,266,214
6	SG Downtown LLC	\$ 254,218,896
7	Donahue Schriber Realty Group LP	\$ 253,136,191
8	Target Corporation	\$ 232,616,694
9	Wal Mart Real Estate Business Trust	\$ 222,954,544
10	Pac West Office Equities LP	\$ 216,868,660

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.

Schedule of Funding and Property Tax Assessments

The Schedule of Funding and Property Tax Assessments includes information on the District's current year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.



To the Board of Trustees and Management of
Los Rios Community College District

We have audited the financial statements of the Measure A bond resources of Los Rios Community College District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Los Rios Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates for the Measure A bond resources.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such items were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Los Rios Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

San Ramon, California
November 20, 2019

**LOS RIOS
COMMUNITY COLLEGE DISTRICT**

**GENERAL OBLIGATION BONDS
MEASURE A
FINANCIAL AUDIT**

JUNE 30, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**FINANCIAL AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Rios Community College District's (the District), Measure A Building Fund General Obligation Bonds, and the related notes to the financial statements, as of and for the year ended June 30, 2019, 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 statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's Building Fund (Measure A) 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 District's Building Fund (Measure A) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A Building Fund General Obligation Bonds of the Los Rios Community College District at June 30, 2019, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure A Building Fund specific to General Obligation Bonds, are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund . They do not purport to, and do not, present fairly the financial position of Los Rios Community College District as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the District Measure A Building Fund General Obligation Bond'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 solely 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 effectiveness of the District's Measure A Building Fund 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 Building Fund, Measure A internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California
November 20, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Cash and investments	\$ 17,779,774
Accounts receivable	<u>570,218</u>
Total Assets	<u>\$ 18,349,992</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ <u>1,723,029</u>
Total Liabilities	<u>1,723,029</u>

FUND BALANCES

Restricted	<u>16,626,963</u>
Total Fund Balances	<u>16,626,963</u>
Total Liabilities and Fund Balances	<u>\$ 18,349,992</u>

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

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Interest income	\$ 570,218
Total Revenues	<u>570,218</u>

EXPENDITURES

Current

Capital outlay	11,745,167
Total Expenditures	<u>11,745,167</u>

EXCESS OF EXPENDITURES OVER REVENUES (11,174,949)

OTHER FINANCING SOURCES (USES)

Bond administrative costs	(16,959)
Net Financing Sources	<u>(16,959)</u>

NET CHANGE IN FUND BALANCES (11,191,908)

FUND BALANCE - BEGINNING 27,818,871

FUND BALANCE - ENDING \$ 16,626,963

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

LOS RIOS COMMUNITY COLLEGE DISTRICT BUILDING FUND (MEASURE A)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Los Rios Community College District Building Fund (Measure A) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Los Rios Community College District Building Measure A Fund accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Los Rios Community College District used to account for Measure A projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002. The authorized issuance amount of the bonds is \$265,000,000. Through June 30, 2019, bonds totaling \$265,000,000 have been issued.

These financial statements are not intended to present fairly the financial position and results of operations of the Los Rios Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure A Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure A Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. For the District, available generally means expected to be received within 60 days of year end. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

The District's investment policy follows State code to limit its credit, interest rate, and concentration of credit risks. *California government Code*, Section 53601 reduces credit risk by limiting 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, 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. Section 53061 reduces interest rate risk by limiting 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. Section 53601 and 53635 reduces concentration credit risk by limiting the concentration of an investment in a single issuer to less than 5% of its total investment balance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury Pool. The District maintains a building fund investment of \$17,779,774 with the County of Sacramento Treasury Pool. The fair value of this investment is approximately \$17,881,119 with an average maturity of 320 days.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Sacramento County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury Pool	\$ 17,881,119	\$ -	\$ -	\$ -	\$ 17,881,119

NOTE 4 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Measure A Building Fund had no commitments with respect to unfinished capital projects.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure A funds at June 30, 2019.

INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR'S 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*.**

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

We have audited, in accordance with the 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 accompanying financial statements of the Los Rios Community College District (the District) Measure A Building Fund General Obligation Bonds, and the related notes of the financial statements, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 20, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure A General Obligation Bonds, are intended to present fairly the financial position, and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Los Rios Community College District as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Los Rios Community College District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Rios Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Los Rios Community College 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 District's Measure A Building Fund 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 Los Rios Community College District's Measure A Building Fund General Obligation Bonds 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 this 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 District's Measure A Building Fund internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure A Building Fund internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California
November 20, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A))**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**MEASURE A GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

We were engaged to conduct a performance audit of the Los Rios Community College District Measure A Building Fund for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the Districts compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Measure A Building Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Measure A Building Fund's internal control.

The results of our tests indicated that the Los Rios Community College District Measure A Building Fund expended Proposition 39 General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Eide Bailly LLP

San Ramon, California
November 20, 2019

LOS RIOS COMMUNITY COLLEGE DISTRICT BUILDING FUND (MEASURE A)

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The Measure A Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The District received authorization at an election held on March 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$265,000,000, to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2002 Authorization).

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election.

The purpose of the Bond is as follows:

“... for building and repairing classrooms and facilities; upgrading academic and vocational education programs including computer sciences, electronics, nursing and high-tech training facilities; upgrading libraries; building new classrooms to reduce overcrowding, and making building safety improvements at the American River, Cosumnes River, El Dorado, Folsom, and Sacramento City College campuses.”

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.

LOS RIOS COMMUNITY COLLEGE DISTRICT BUILDING FUND (MEASURE A)

JUNE 30, 2019

4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure A Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure A.
2. Determine whether salary transactions charged to the Measure A Fund, if any, were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Measure A Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Proposition 39 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$6,680,275. The \$6,680,275 tested represents 57 percent of the capital outlay and bond administrative cost expenditures of \$11,762,126.
3. We verified that funds from the Measure A Building Fund were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds spent for salaries, if any, in the Measure A Building Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

JUNE 30, 2019

CONCLUSION

The results of our tests indicated that, in all significant respects, the Los Rios Community College District has properly accounted for the expenditures held in the Measure A Building Fund and that such expenditures were made for authorized Bond projects.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING (MEASURE A)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING (MEASURE A)**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2019**

None reported.



To the Board of Trustees and Management of
Los Rios Community College District

We have audited the financial statements of the Measure M bond resources of Los Rios Community College District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Los Rios Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates for the Measure M bond resources.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such items were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Los Rios Community College District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California
November 20, 2019

**LOS RIOS
COMMUNITY COLLEGE DISTRICT**

**GENERAL OBLIGATION BONDS
MEASURE M
FINANCIAL AUDIT**

JUNE 30, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**FINANCIAL AUDIT
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JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Rios Community College District's (the District), Measure M Building Fund General Obligation Bonds, and the related notes to the financial statements, as of and for the year ended June 30, 2019, 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 statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's Measure M Building Fund 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 District's Measure M Building Fund internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M Building Fund General Obligation Bonds of the Los Rios Community College District at June 30, 2019, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure M Building Fund specific to General Obligation Bonds, are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Los Rios Community College District as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the District Measure M Building Fund General Obligation Bond'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 solely 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 effectiveness of the District's Measure M Building Fund 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 Building Fund, Measure M internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

San Ramon, California
November 20, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Cash and investments	\$ 128,528,210
Accounts receivable	532,036
Total Assets	<u><u>\$ 129,060,246</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 4,493,603
Total Liabilities	<u>4,493,603</u>

FUND BALANCES

Restricted	<u>124,566,643</u>
Total Fund Balances	<u>124,566,643</u>
Total Liabilities and Fund Balances	<u><u>\$ 129,060,246</u></u>

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

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Interest income	\$ 1,342,251
Total Revenues	<u>1,342,251</u>

EXPENDITURES

Current	
Capital outlay	23,240,718
Total Expenditures	<u>23,240,718</u>

EXCESS OF EXPENDITURES OVER REVENUES (21,898,467)

OTHER FINANCING SOURCES (USES)

Bond issuance	80,000,000
Bond administrative costs	(12,454)
Net Financing Sources	<u>79,987,546</u>

NET CHANGE IN FUND BALANCES	58,089,079
FUND BALANCE - BEGINNING	<u>66,477,564</u>
FUND BALANCE - ENDING	<u><u>\$ 124,566,643</u></u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Los Rios Community College District Building Fund (Measure M) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Los Rios Community College District Building Measure M Fund accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Los Rios Community College District used to account for Measure M projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. The authorized issuance amount of the bonds is \$475,000,000. Through June 30, 2019, bonds totaling \$335,000,000 have been issued.

These financial statements are not intended to present fairly the financial position and results of operations of the Los Rios Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure M Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure M Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. For the District, available generally means expected to be received within 60 days of year end. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

LOS RIOS COMMUNITY COLLEGE DISTRICT BUILDING FUND (MEASURE M)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

The District’s investment policy follows State code to limit its credit, interest rate, and concentration of credit risks. *California government Code*, Section 53601 reduces credit risk by limiting 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, 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. Section 53061 reduces interest rate risk by limiting 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. Section 53601 and 53635 reduces concentration credit risk by limiting the concentration of an investment in a single issuer to less than 5% of its total investment balance.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

	Amortized Cost	Fair Value
County Treasury Pool	\$ 23,063,988	\$ 23,195,453
Debt Security and Other Investments	105,464,222	106,571,828
	<u>\$ 128,528,210</u>	<u>\$ 129,767,281</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury Pool.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Not Applicable	Maturity in Years	
			1-5	>5
County Treasury Pool	\$ 23,195,453	\$ 23,195,453	\$ -	\$ -
Debt Security and Other Investments	106,571,828	-	106,571,828	-
Total	<u>\$ 129,767,281</u>	<u>\$ 23,195,453</u>	<u>\$ 106,571,828</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA	Aa	Unrated
County Treasury Pool	\$ 24,010,293	\$ 24,010,293	\$ -	\$ -	\$ -
Debt Securities:					
United States Treasury Bill (USTB)	25,734,110	-	25,734,110	-	-
US Agencies:					
Federal Home Loan Mortgage Corporation (FHLMC)	80,022,878	-	80,022,878	-	-
Total	<u>\$ 129,767,281</u>	<u>\$ 24,010,293</u>	<u>\$ 105,756,988</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration

The investment policy contains no limitation on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Investment Type	Issuer	Reported Amount
Debt Securities	United States Treasury Bill (USTB)	\$ 25,734,110
Debt Securities	Federal Home Loan Mortgage Corporation (FHLMC)	80,022,878

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Sacramento County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury Pool	\$ 23,195,453	\$ -	\$ -	\$ -	\$ 23,195,453
Debt Security and Other Investments	106,571,828	25,734,110	80,022,878	-	814,840
Total	<u>\$ 129,767,281</u>	<u>\$ 25,734,110</u>	<u>\$ 80,022,878</u>	<u>\$ -</u>	<u>\$ 24,010,293</u>

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Measure M Building Fund had the following commitments with respect to unfinished capital projects:

MEASURE M PROJECTS	Remaining Construction Commitment
<i>American River College</i>	
Water Well Replacement	\$ 1,535
Liberal Arts Building Modernization	6,567,449
Liberal Arts Modernization (STEM)	6,330,812
New Swing Space Portable - Liberal Arts (STEM)	74,081
Chiller	18,400
South Well Decommission	200
Natomas Transportation, Access, and Parking	70,487
<i>Consumnes River College</i>	
Auto Tech Center Modernization/Expansion	559,570
College Center Expansion	10,242,879
<i>Sacramento City College</i>	
Lillard Hall	918,555
Mohr Hall Modernization	4,862,703
Swing Space Portable - Mohr Hall	28,553
Davis Center Phase 2	22,345
<i>Districtwide</i>	
Infrastructure Projects	87,579
Workforce and Economic Development Facility	153,022
Security Improvements Phase 1A and 1B	4,010,123
	\$ 33,948,293

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure M funds at June 30, 2019.

INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR'S 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*.**

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

We have audited, in accordance with the 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 accompanying financial statements of the Los Rios Community College District (the District) Measure M Building Fund General Obligation Bonds, and the related notes of the financial statements, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 20, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure M General Obligation Bonds, are intended to present fairly the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Los Rios Community College District as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Los Rios Community College District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Rios Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Los Rios Community College 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 District's Measure M Building Fund 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 Los Rios Community College District's Measure M Building Fund General Obligation Bonds 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 This 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 District's Measure M Building Fund internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure M Building Fund internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

San Ramon, California
November 20, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE A)**

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**MEASURE M GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Los Rios Community College District
Sacramento, California

We were engaged to conduct a performance audit of the Los Rios Community College District Measure M Building Fund for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the Districts compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Measure M Building Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Measure M Building Fund's internal control.

The results of our tests indicated that the Los Rios Community College District Measure M Building Fund expended Proposition 39 General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

A handwritten signature in black ink that reads "Eide Bailly LLP".

San Ramon, California
November 20, 2019

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The Measure M Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The District received authorization at an election held in November 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$475,000,000, to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2008 Authorization).

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election.

The purpose of the Bond is as follows:

“... to improve student academic performance by building classrooms, facilities and labs throughout the district including for teacher green technologies; nursing and health care programs; architecture, engineering and construction management; computer sciences; early childhood development; and fire and policy public safety programs at the American River, Cosumnes River, El Dorado, Folsom, and Sacramento City College campuses.”

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

JUNE 30, 2019

4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure M Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure M.
2. Determine whether salary transactions charged to the Measure M Fund, if any, were in support of Measure M and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Measure M Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Proposition 39 as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$10,924,500. The \$10,924,500 tested represents 47 percent of the bond expenditures of \$23,240,718.
3. We verified that funds from the Measure M Building Fund were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds spent for salaries, if any, in the Measure M Building Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING FUND (MEASURE M)**

JUNE 30, 2019

CONCLUSION

The results of our tests indicated that, in all significant respects, the Los Rios Community College District has properly accounted for the expenditures held in the Measure M Building Fund and that such expenditures were made for authorized Bond projects.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING (MEASURE M)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
BUILDING (MEASURE M)**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2019**

None reported.



December 11, 2019

Los Rios Community College District Retiree Health Benefit Plan
Sacramento, California

We have audited the financial statements of the Los Rios Community College District Retiree Health Benefit Plan for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Los Rios Community College District Retiree Health Benefit Trust are described in Note 1 to the financial statements. Accounting policies follow the policies of the District. We noted no transactions entered into by Los Rios Community College District Retiree Health Benefit Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the OPEB Liability and related information is based on actuary studies performed for the District. We evaluated the key factors and assumptions used to develop the OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated December 11, 2019.

Management Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Los Rios Community College District's Retiree Health Benefit Trust financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Los Rios Community College District Retiree Health Benefit Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Trustees and management of Los Rios Community College District Retiree Health Benefit Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Eide Bailly, LLP
San Ramon, California

**LOS RIOS COMMUNITY
COLLEGE DISTRICT
RETIREE HEALTH
BENEFITS TRUST**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

LOS RIOS COMMUNITY COLLEGE DISTRICT RETIREE HEALTH BENEFITS TRUST

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Los Rios Community College District Retiree Health Benefits Trust
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Rios Community College District Retiree Health Benefits Trust (the Trust), which comprise the statement of fiduciary net position, statement of changes in fiduciary net position, and the related notes as of and for the year ended June 30, 2018.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 error. In making those risk assessments, the auditor considers internal control relevant to the Trust'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 Trust'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust as of June 30, 2018, and the changes in its financial position 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 Changes in the Net OPEB Liability (Asset) and Related Ratios, the Schedule of Contributions for OPEB, the Schedule of OPEB Investment Returns, as listed in the table of contents 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 the 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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

San Ramon, California
December 11, 2019

LOS RIOS COMMUNITY COLLEGE DISTRICT RETIREE HEALTH BENEFITS TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The Los Rios Community College District (District) administers the Los Rios Community College District Retiree Health Benefit Plan (Plan), a single-employer defined benefit healthcare plan. The District's Board of Trustees (Board) established the Los Rios Community College District Retiree Health Benefits Trust (OPEB Trust). The Board appointed the members of the Los Rios Community College District Retiree Health Benefits Trust Oversight Committee (Committee) to manage, direct and control the OPEB Trust. The Board appointed Wells Fargo Bank, N.A. to serve as the trustee and investment manager of the OPEB Trust. The OPEB Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB).

This section provides an overview and analysis of the financial activities of OPEB Trust for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants (AICPA). The OPEB Trust reports as an other employee benefit trust fund, which reports resources required to be held in a fiduciary capacity for the members of the Plan.

The following discussion and analysis are intended to serve as an introduction to the OPEB Trust's financial statements, which comprises these components:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments and any current liabilities that are owed at this time.

The Statement of Changes in Fiduciary Net Position, on the other hand, provides a view of current year additions to and deductions from the OPEB Trust.

These statements use the full accrual basis of accounting, which is similar to the accounting used by most private sector companies.

The statements report the OPEB Trust's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the OPEB Trust's financial position. Over time, increases and decreases in net position is one indicator of whether the OPEB Trust's financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the OPEB Trust's overall health.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FINANCIAL HIGHLIGHTS

The net position of the OPEB Trust at June 30, 2018 was \$121,575,059. Net position is restricted for OPEB.

The OPEB Trust investment allocation at June 30, 2018 consisted of 66.2% fixed income, 33.1% equities and 0.7% cash and cash equivalents. For the year ended June 30, 2018, the annual money-weighted rate of return on investments was 4%.

The District provides benefits on a pay-as-you-go basis and contributes to the OPEB Trust. The District continues to prefund its total OPEB liability by contributing 100% or more of the actuarially determined contribution each year. The District contributions in conjunction with investment earnings have resulted in a net OPEB asset of \$4,350,992 at June 30, 2018.

During the year ended June 30, 2018, the District contributed \$3,200,000 to the OPEB Trust. The District’s benefit payments on a pay-as-you-go basis during the year ended June 30, 2018 were \$3,015,867, which were reimbursed by the OPEB Trust. The employer contributions and benefit payments, reflected in the Statement of Changes in Fiduciary Net Position, include an additional \$177,713 of actuarially determined indirect contributions and indirect payments to retirees, respectively. The indirect contributions/benefit payments to retirees are accounted for because retiree premiums are expected to be subsidized by active employee premiums.

The financial statements of the OPEB Trust include the Plan’s fiduciary net position because the resources of the Plan are held in a fiduciary capacity for the members of the Plan. The District’s net OPEB asset will be included in the District’s June 30, 2019 financial statements.

The components of the net OPEB asset of the District at the measurement date (June 30, 2018), were as follows:

Total OPEB liability	\$ 117,224,067
Plan fiduciary net position	<u>121,575,059</u>
District net OPEB liability (asset)	<u>\$ (4,350,992)</u>

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the OPEB Trust's financial position. The assets of the OPEB Trust exceeded its liabilities at June 30, 2018 as follows:

ASSETS

Cash and investments	\$ 830,922
Investments	120,815,037
Total assets	<u>121,645,959</u>

LIABILITIES

Payables:

Investment management fees	<u>70,000</u>
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Net position restricted for postemployment benefits other than pensions	<u>\$ 121,575,959</u>
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The changes to OPEB Trust's net position for the fiscal year ended June 30, 2018 is as follows:

ADDITIONS

Employer contributions	\$ 3,377,713
Investment income	4,723,266
Total additions	<u>8,100,979</u>

DEDUCTIONS

Benefit payments	<u>3,193,580</u>
------------------	------------------

NET INCREASE IN NET POSITION	4,907,399
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**NET POSITION RESTRICTED FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS**

NET POSITION, Beginning of Year	<u>116,667,660</u>
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NET POSITION, End of Year	<u>\$ 121,575,059</u>
----------------------------------	-----------------------

Contacting the OPEB Trust's Financial Management

If you have any questions about this report or need any additional financial information, contact the District at: Los Rios Community College District, 1919 Spanos Court, Sacramento, CA 95825.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 830,022
Investments:	
Open-ended mutual funds:	
Fixed income	26,013,590
Equity	5,866,257
Collective investment funds:	
Fixed income	54,575,448
Equity	34,359,742
Total investments	<u>120,815,037</u>
Total assets	<u>121,645,059</u>

LIABILITIES

Payables:	
Investment management fees	<u>70,000</u>

Net position restricted for postemployment benefits other than pensions	<u><u>\$ 121,575,059</u></u>
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The accompanying notes are an integral part of these financial statements.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

ADDITIONS

Employer contributions	\$ 3,377,713
Investment income:	
Net increase in fair value of investments	4,011,311
Interest and dividends	997,782
Less investment expense	<u>(285,827)</u>
Total investment income	<u>4,723,266</u>
Total additions	<u><u>8,100,979</u></u>

DEDUCTIONS

Benefit payments	<u>3,193,580</u>
------------------	------------------

NET INCREASE IN NET POSITION 4,907,399

**NET POSITION RESTRICTED FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS**

NET POSITION, Beginning of Year	<u>116,667,660</u>
NET POSITION, End of year	<u><u>\$ 121,575,059</u></u>

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

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - PLAN DESCRIPTION

Plan Administration

The Los Rios Community College District (District) administers the Los Rios Community College District Retiree Health Benefits Plan (Plan), a single-employer defined benefit healthcare plan. The District's Board of Trustees (Board) established the Los Rios Community College District Retiree Health Benefits Trust (OPEB Trust). The Board appointed the members of the Los Rios Community College District Retiree Health Benefits Trust Oversight Committee (Committee) to manage, direct and control the OPEB Trust. The Committee members consists of the Vice Chancellor, Finance and Administration, the Director of Accounting Services, the Confidential Senior Financial Analyst and two members of the District's Insurance Review Committee. The Board appointed Wells Fargo Bank, N.A. to serve as the trustee and investment manager of the OPEB Trust. The OPEB Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB).

Plan Membership

At the June 30, 2017 valuation date, the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,007
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>1,949</u>
	<u><u>2,956</u></u>

Contributions

The District provides contributions on a pay-as-you-go basis and contributes to the OPEB Trust. The contributions requirements of the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's Plan members are not required to contribute to the Plan.

Benefits Provided

The benefits provided to retirees by the District are based on Government Code sections collectively known as Public Employees' Medical & Hospital Care Act (PHMHCA), which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan:

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

	<u>LRCEA</u>	<u>LRSA</u>	<u>LRCFT</u>	<u>SEIU</u>	<u>Management and Confidential</u>
Benefit types provided	Medical only	Medical only	Medical only	Medical only	Medical only
Duration of benefits	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Required years of service					
Prior to 2/1/89	3				
Prior to 6/30/84					3
Prior to 6/30/90		10	10	7	
7/1/84-6/30/90					7
2/1/89-6/30/90	7				
7/1/90-8/31/93	12				
7/1/90-12/31/12					10
7/1/90-current		15	15	15	
9/1/93-current	15				
1/1/13-current					15
Minimum age	55	55	55	55	55
Current District monthly contribution	\$280	\$280	\$280	\$280	\$280

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA). The OPEB Trust report is an other employee benefit trust fund, which reports resources required to be held in a fiduciary capacity for the members of the Plan.

Basis of Accounting – The accompanying financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred.

Investments – Investments are reported at fair value.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – INVESTMENTS

Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs rather 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. Open-ended mutual funds are classified as Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets. Collective investment funds are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

Rate of Return

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on investments was 3.883 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Investments Authorized by the Investment Policy

The Board adopted the OPEB Trust's investment policy in order to assist the District in meeting applicable funding requirements for the payment of future retiree health and welfare obligations and OPEB.

The specific objectives for the investment of the OPEB Trust's assets are as follows:

Safety in principal – The preservation and safeguarding of principal is the primary investment objective.

Liquidity – The investment portfolio should remain sufficiently flexible to meet cash requirements that may be reasonably anticipated.

Public Trust – District officials should avoid any transactions that might impair public confidence in the District. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

Rate of Return – The investment portfolio should be designed to attain a rate of return at the market average or better through budgetary and economic cycles, consistent with the risk limitations, asset allocation, prudent investment principles, and cash characteristics identified in the investment policy.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The table below provides the maximum asset allocation for each type of investment instrument. The asset mix may vary within the maximum limits based on market condition and the recommendations of the investment manager. At times, the asset allocation may exceed the maximum due to changes in the market values. In those cases, the investment manager will rebalance the portfolio within fifteen calendar days.

<u>Asset Category</u>	<u>Maximum Percentage</u>
Equities (domestic and international)	Up to 35% (international can comprise up to 10% of total assets)
Fixed Income	Up to 85%
Cash and cash equivalents	Up to 100%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The OPEB Trust's investment securities are not exposed to custodial credit risk because all securities are held by OPEB Trust's custodian bank in the District's name.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The OPEB Trust's investments do not have a rating provided by a nationally recognized statistical rating organization.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. The average effective maturity of the fixed income investments at June 30, 2018, was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u><1</u>	<u>Maturity in Years</u>	
			<u>1-5</u>	<u>6-10</u>
Open-ended mutual funds - fixed income	\$ 26,013,590	\$ -	\$ -	\$ 26,013,590
Collective investment funds - fixed income	54,575,448	27,311,390	-	27,264,058
Total	<u>\$ 80,589,038</u>	<u>\$ 27,311,390</u>	<u>\$ -</u>	<u>\$ 53,277,648</u>

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – NET OPEB LIABILITY (ASSET) OF THE DISTRICT

The components of the net OPEB liability (asset) of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 117,224,067
Plan fiduciary net position	121,575,059
District net OPEB asset	<u>\$ (4,350,992)</u>
Plan fiduciary net position as a percentage of the total OPEB asset	<u>103.71%</u>

Actuarial Assumptions

To develop the total OPEB liability at the beginning of the measurement period (June 30, 2017) the actuary rolled forward the results of the June 1, 2017 valuation. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 1, 2017
Measurement date	June 30, 2018
Funding method	Entry-age normal cost, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	5.00%
General inflation rate	2.75%
Salary increases ⁽¹⁾	3.25%
Long-term return on assets ⁽²⁾	5.00%
Mortality - Classified ⁽³⁾	CalPERS' Membership Data
Mortality - Certificated ⁽⁴⁾	CalSTRS' Membership Data
Health care cost trend rates ⁽⁵⁾	5-8%

- (1) Since benefits do not depend on salary, this is only used to allocate the costs of benefits between service years.
- (2) Net of Plan investment expense; includes inflation.
- (3) The mortality table used was developed based on CalPERS-specific data. Future improvement in the base mortality rates was applied using a custom mortality improvement scale, rather than the mortality improvement scale applied by CalPERS. For more details on the base mortality rates, refer to the April 2014 experience study report. For more details on the mortality improvement scale, refer to Addendum 3 of the GASB 75 actuarial report.
- (4) 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 adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information. Future improvement in the base mortality rates was applied using a custom mortality improvement scale. For details on this scale, refer to Addendum 3 of the GASB 75 actuarial report.
- (5) Assumed to start at 8% and grade down to 5% for years 2024 and thereafter.

**LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The long-term expected rate of return on 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 the Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and added expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	9.24%
Fixed Income	2.88%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that the District continues to make regular, sufficient contributions to the OPEB Trust in order to prefund the total OPEB liability. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	<u>1% Decrease 4.0%</u>	<u>Current Discount Rate 5.0%</u>	<u>1% Increase 6.0%</u>
Net OPEB liability (asset)	<u>\$ 15,199,522</u>	<u>\$ (4,350,992)</u>	<u>\$ (20,097,176)</u>

Sensitivity of the District’s Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease (7% decreasing to 4%)</u>	<u>Current Healthcare Trend (8% decreasing to 5%)</u>	<u>1% Increase (9% decreasing to 6%)</u>
Net OPEB liability (asset)	<u>\$ (24,417,222)</u>	<u>\$ (4,350,992)</u>	<u>\$ 23,084,922</u>

REQUIRED SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
LAST 10 YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 3,977,329	\$ 3,852,135
Interest	5,471,925	5,163,916
Differences between expected and actual experience	3,910,439	-
Benefit payments	<u>(3,193,580)</u>	<u>(2,768,581)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	10,166,113	6,247,470
TOTAL OPEB LIABILITY, Beginning	<u>107,057,954</u>	<u>100,810,484</u>
TOTAL OPEB LIABILITY, Ending (a)	<u>117,224,067</u>	<u>107,057,954</u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	3,377,713	3,351,026
Net investment income	4,723,266	7,044,472
Benefit payments	<u>(3,193,580)</u>	<u>(2,768,581)</u>
NET CHANGE IN FIDUCIARY NET POSITION	4,907,399	7,626,917
PLAN FIDUCIARY NET POSITION, Beginning	<u>116,667,660</u>	<u>109,040,743</u>
PLAN FIDUCIARY NET POSITION, Ending (b)	<u>121,575,059</u>	<u>116,667,660</u>
DISTRICT'S NET OPEB LIABILITY (ASSET), Ending (a)-(b)	<u>\$ (4,350,992)</u>	<u>\$ (9,609,706)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>103.71%</u>	<u>108.98%</u>

Notes to Schedule:

There were no changes to benefit terms or assumptions during the years ended June 30, 2017 and 2018.

*Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	3.883%	6.035%

Notes to Schedule:

*Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	3,377,713	3,351,026
Contribution deficiency (excess)	<u>\$ (3,377,713)</u>	<u>\$ (3,351,026)</u>

Notes to Schedule:

*Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability (Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability (asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability (asset). In the future, as data becomes available, ten years of information will be presented.

Schedule of Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data become available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



December 2, 2019

Board of Directors
Los Rios Colleges Foundation
1919 Spanos Court
Sacramento, CA 95825

We have audited the financial statements of Los Rios Colleges Foundation for the year ended June 30, 2019, and have issued our report thereon dated December 2, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Los Rios Colleges Foundation are described in Note 1 to the financial statements. The Foundation adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entity (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Foundation did not have any sensitive estimate affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such items were noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of Los Rios Colleges Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Eide Bailly, LLP
San Ramon, California
December 2, 2019

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

**LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)**

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Rios Colleges Foundation
Sacramento, California

We have audited the accompanying financial statements of Los Rios Colleges Foundation (a California nonprofit corporation) (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Rios Colleges Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 8 to the financial statements, the Foundation has adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Net assets at June 30, 2018 have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

San Ramon, California
December 2, 2019

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 743,948
Pledges receivable, current portion	228,989
Prepaid expenses	<u>15,583</u>
Total Current Assets	<u>988,520</u>

NONCURRENT ASSETS

Investments	14,145,203
Long-term pledges receivable	<u>350,172</u>
Total Noncurrent Assets	<u>14,495,375</u>
TOTAL ASSETS	<u><u>\$ 15,483,895</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>55,009</u>
TOTAL LIABILITIES	<u>55,009</u>

NET ASSETS

Without donor restrictions	1,876,429
With donor restrictions	<u>13,552,457</u>
Total Net Assets	<u>15,428,886</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 15,483,895</u></u>

See the accompanying notes to financial statements.

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 126,562	\$ 2,110,744	\$ 2,237,306
Investment earnings	177,494	307,704	485,198
In-kind contributions	117,791	-	117,791
Net assets released from restrictions/transfers	1,283,502	(1,283,502)	-
Total Support and Revenues	<u>1,705,349</u>	<u>1,134,946</u>	<u>2,840,295</u>
Expenses			
Scholarships	769,435	-	769,435
College support	663,362	-	663,362
Grants and sponsorships	1,025	-	1,025
Administrative	117,500	-	117,500
Fundraising	114,751	-	114,751
Total Expenses	<u>1,666,073</u>	<u>-</u>	<u>1,666,073</u>
CHANGE IN NET ASSETS	39,276	1,134,946	1,174,222
NET ASSETS, BEGINNING OF YEAR	<u>1,837,153</u>	<u>12,417,511</u>	<u>14,254,664</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,876,429</u></u>	<u><u>\$ 13,552,457</u></u>	<u><u>\$ 15,428,886</u></u>

See the accompanying notes to financial statements.

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Scholarships	College support	Grants and Sponsorships	Total Program Expenses	Administrative	Fundraising	Total Expenses
Scholarships	\$ 769,435	\$ -	\$ -	\$ 769,435	\$ -	\$ -	\$ 769,435
College support	-	663,362	-	663,362	-	-	663,362
Grants and sponsorships	-	-	1,025	1,025	-	-	1,025
Supplies and materials	-	-	-	-	49,361	40,413	89,774
Office expense	-	-	-	-	67,216	74,338	141,554
Awards	-	-	-	-	923	-	923
Total Expenses	<u>\$ 769,435</u>	<u>\$ 663,362</u>	<u>\$ 1,025</u>	<u>\$ 1,433,822</u>	<u>\$ 117,500</u>	<u>\$ 114,751</u>	<u>\$ 1,666,073</u>

See the accompanying notes to financial statements.

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions for scholarships	\$ 1,602,145
Capital and endowment campaign	116,052
Annual fund	103,340
Other Contributions	152,464
Interest and dividend income	3,945
Scholarships awarded	(769,435)
Payments to suppliers	(275,086)
Payments to reimburse District for staff time	(36,683)
Payments for services	(170,800)
Payments for travel, conferences and meetings	(40,914)
Other operating costs	(291,744)
Net Cash Provided by Operating Activities	<u>393,284</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	4,486,145
Interest and dividends on investments	358,253
Investment expenses	(80,206)
Purchases of investments	(5,475,932)
Net Cash Used By Investing Activities	<u>(711,740)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(318,456)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,062,404
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 743,948</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH AMOUNTS

In-kind donations	<u>\$ 117,791</u>
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See the accompanying notes to financial statements.

**LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Los Rios Colleges Foundation (the Foundation), a California nonprofit public benefit corporation, was formed for the purpose of raising and managing private philanthropic gifts from individuals and organizations that support the needs of students and faculty, improve student success and help to prepare an educated workforce by providing student scholarships, emergency financial grants to students and college program support. The Foundation is included as a component unit in the District's financial statements. The Foundation is supported primarily through public and private contributions and grants.

New Accounting Pronouncement and Financial Statement Presentation

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU modified the current guidance over several criteria of which the following affected the Foundation's financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions”, as opposed to the previous requirement of three classes of net assets.
- Disclosure of qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date.
- Presentation of expenses by both their natural classification and their functional classification.
- Presentation of the indirect method reconciliation of operating cash flows on the consolidated statements of cash flows is no longer required when the direct method of reporting is used.
- Disclosure of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions.
- Presenting investment return net of external and direct internal investment expenses.

The Organization has implemented the provisions of this ASU as of June 30, 2019.

The Foundation and the Los Rios Community College District (the District) are financially interrelated organizations as defined by ASC 958-605-05, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Financial Statement Presentation

These financial statements are presented on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and follows reporting standards promulgated by FASB.

**LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2019, the amount in excess of Federal depository insurance coverage was approximately \$500,000.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are recorded in the appropriate classification of net assets. If the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized, the income is recorded as increases in the unrestricted net assets. Investments are classified as short or long term based upon the Foundation's intent to use for current operations.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the appropriate classification of net assets as temporarily or permanently restricted. When a restriction expires through either the passage of time or use, the assets are reclassified as assets released from restrictions in the statement of activities.

The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Donated equipment, supplies and materials totaling \$117,791 were recorded for College Support.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

LOS RIOS COLLEGES FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(vi). The Foundation is also exempt from California State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal Form 990, *Return of Organization Exempt From Income Tax*, and State Form 109, *California Exempt Organization Business Income Tax Return*, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Foundation is not aware of any such examinations at this time.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give, which have been made by donors, but not received. Pledges receivable at June 30, 2019, were as follows:

Receivable in less than one year	\$ 228,989
Receivable in one to five years	350,172
Net contributions receivable	<u>\$ 579,161</u>

NOTE 3 - INVESTMENTS

Investments are recorded at fair value on the statement of financial position. The following table summarizes the investment returns which are recorded in the statement of activities:

Realized gains (loss) on investments	\$ (15,733)
Unrealized gains (loss) on investments	218,939
Interest and dividends	281,992
Total Investment Income, Net of Expenses	<u>\$ 485,198</u>

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Investment Policies

Return Objectives and Risk Parameters

The Foundation has a Finance Committee responsible for oversight of the Foundation's investments. The Board has adopted Rules, Objectives and Guidelines for the investment of funds that attempt to provide a predictable stream of funding to programs supported by its endowed funds while also maintaining the purchasing power of those assets over the long-term. Endowment assets are invested in cash and cash equivalents, equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual grantmaking of 3.75% while growing the funds, if possible. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 6.50% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of the Foundation has adopted the following spending policy for endowed funds: (1) The calculation for spending in the upcoming calendar year will be based on the fund value as of the September 30 balance; and (2) unless a donor requests otherwise, a fund will participate in spending for the immediate next calendar year, even if the value of the fund is below corpus. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE 4 - MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally

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includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgages, and loans held for sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential Mortgage Servicing Rights (MSRs), asset-backed securities (ABS), highly-structured or long-term derivative contracts, and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below shows the Foundation's investments according to their hierarchical level as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 131,606	\$ -	\$ -	\$ 131,606
Money market funds	842,786	-	-	842,786
Fixed income securities	5,328,732	-	-	5,328,732
Equities	6,649,199	-	-	6,649,199
Alternative investments	1,024,246	-	-	1,024,246
FCCC endowment	-	168,634	-	168,634
Total	<u>\$ 13,976,569</u>	<u>\$ 168,634</u>	<u>\$ -</u>	<u>\$ 14,145,203</u>

The Foundation did not have any liabilities measured at fair value on a recurring basis nor any assets or liabilities recorded at fair value on a non-recurring basis.

NOTE 5 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 743,948
Current promises to give	228,989
Investments	592,746
Total	<u>\$ 1,565,683</u>

As part of the Organization's liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTE 6 - NET ASSETS

Non-endowed restricted net assets of \$5,851,402 are held for various scholarships and education programs as of June 30, 2019.

Endowed restricted net assets, for which investment and interest earnings may be used for scholarship grants, consisted of the historical gift balance of the endowed funds in the amount of \$5,824,626 at June 30, 2019.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in as unavailable for use is classified as donor restricted net assets available for use until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2019, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Donor restricted endowments	\$ 700,021	\$ 5,824,626	\$ 6,524,647
Board designated quasi endowments	1,176,408	-	1,176,408
Total	<u>\$ 1,876,429</u>	<u>\$ 5,824,626</u>	<u>\$ 7,701,055</u>
Endowment net assets - beginning of year	\$ 1,837,153	\$ 5,664,060	\$ 7,501,213
Contributions	312,554	133,925	446,479
Investment earnings and realized gains	83,568	12,341	95,909
Unrealized income (loss)	93,926	5,224	99,150
Transfers	(24,301)	27,258	2,957
Amounts appropriated for expenditures	(426,471)	(18,182)	(444,653)
Endowment net assets - end of year	<u>\$ 1,876,429</u>	<u>\$ 5,824,626</u>	<u>\$ 7,701,055</u>

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NOTE 7 – RELATED PARTY TRANSACTIONS

The Foundation receives and invests contributions for the development of endowed funds on behalf of the District. These funds, pending distribution, are administered and held according to the specific organization's direction and invested by the Foundation in an agent capacity, on behalf of the District, and the activities are included in the Foundation's statements of financial position and activities.

The Foundation receives the use of management, accounting, personnel and office space provided by the District. There are no salaries or other expenses recognized by the Foundation for these services. The Foundation incurs expenses related to college instructional support on behalf of the District which are included on the Foundation's statement of activities. The Foundation paid the District \$47,745 during the year ended June 30, 2019 for various administrative costs.

The Foundation's receipt of noncash donations related to instructional support are contributed to the District. During the year, the Foundation contributed \$117,791 of noncash donations to the District.

NOTE 8 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 AND RESTATEMENT OF PRIOR YEAR NET ASSET

As of July 1, 2018, the Foundation adopted the provision of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As a result, the beginning net assets were restated as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted net assets	\$ 1,837,153	\$ (1,837,153)	\$ -
Temporarily restricted net assets	6,753,451	(6,753,451)	-
Permanently restricted net assets	5,664,060	(5,664,060)	-
Net assets without donor restrictions	-	1,837,153	1,837,153
Net assets with donor restrictions	-	12,417,511	12,417,511
	<u>\$ 14,254,664</u>	<u>\$ -</u>	<u>\$ 14,254,664</u>

NOTE 9 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 2, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.