

**LOS RIOS COMMUNITY
COLLEGE DISTRICT
PROPOSITION 39 AND
MEASURES A AND M GENERAL
OBLIGATION BONDS**

SACRAMENTO, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2016

**LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39
AND MEASURES A AND M GENERAL OBLIGATION BONDS**

**TABLE OF CONTENTS
JUNE 30, 2016**

	<u>PAGE</u>
Independent Auditor's Report	1
Objectives	2
Scope of the Audit	2
Background Information	2
Procedures Performed	3
Result of Procedures Performed	3
Performance Audit Schedule	4
Conclusion	6
Management Comments and Recommendations	6

INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Los Rios Community College District's (the District's) Measures A and M General Obligation Bonds for the year ended June 30, 2016.

We conducted our performance audit in accordance with *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 reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report which includes determining compliance with the performance requirements for the Proposition 39 and Measures A and M General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Los Rios Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, the Los Rios Community College District expended Measure A and M General Obligation Bond funds for the year ended June 30, 2016 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 15, 2016

LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES A AND M GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2016

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to Measures A and M General Obligation Bonds (the Measures) which were approved under Proposition 39; determine whether expenditures for fiscal year ended June 30, 2016 charged to the Bond Projects Funds have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2016. Expenditures incurred after the issuance of the bonds and prior to July 1, 2015, were covered in a previous examination. The expenditures included all account 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 were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2016 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On March 5, 2002, voters approved Measure A, a \$265,000,000 general obligation bond authorization for the District. The total proceeds from each bond series, less the bond issuance costs, are to be used to finance the construction, acquisition, furnishing, and equipping of District facilities. The first series of bonds in the amount of \$27,500,000 was issued on August 1, 2002. The second series of bonds in the amount of \$65,000,000 was issued on April 1, 2004. The third series of bonds in the amount of \$70,000,000 was issued on July 25, 2006. The fourth series of bonds in the amount of \$55,000,000 was issued on August 4, 2009. The 2010 Refunding Bonds were issued on October 7, 2010 for \$21,025,000, which fully refunded the outstanding bonds issued on August 1, 2002. The 2011 Refunding Bonds were issued on October 20, 2011 for \$40,195,000 and the 2012 Refunding Bonds were issued on March 28, 2012 for \$62,920,000, which refunded all but \$2,175,000 of the outstanding bonds issued on April 1, 2004. The 2012 Refunding Bonds also refunded all but \$6,560,000 of the outstanding bonds issued on July 25, 2006. The fifth series of bonds in the amount of \$20,000,000 was issued on June 27, 2013. The 2016 Refunding Bonds were issued on April 21, 2016 for \$39,315,000 which partially refunded the outstanding bonds that were issued on August 4, 2009.

In November 2008, voters approved Measure M, a \$475,000,000 general obligation bond authorization for the District. The proceeds, combined with anticipated State capital outlay funds, will provide new facilities to accommodate projected student growth as well as modernizing existing facilities and infrastructure. The first series of bonds in the amount of \$130,000,000 was issued on October 19, 2010. The second series of bonds in the amount of \$60,000,000 was issued on June 27, 2013.

A Citizens Oversight Committee (the Committee) was appointed on April 17, 2002, to comply with the California Constitution and the Education Code. The purpose of the Committee is to inform the public, at least annually, regarding the appropriate use of the bond proceeds. California Constitution, Article 13A, Section 1(b)(3), requires an annual performance audit to ensure that the funds have been expended only on the specific projects publicized by the District.

LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES A AND M GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2016

PROCEDURES PERFORMED

We obtained the Bond Projects Funds general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2016. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measures A and M General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the Colleges' Facilities Projects Lists.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the bond proceeds and expenditures.
- We verified that the proceeds from the sale of bonds were deposited in an appropriate debt service fund and a capital outlay projects fund.
- We determined that the Committee is fulfilling its duties as required by Education Code 15278 and as outlined in the Citizens' Bond Oversight Committee Bylaws.
- We selected a sample of expenditures in the fiscal year ended June 30, 2016, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenditures of the District.

RESULT OF PROCEDURES PERFORMED

The District utilized Measure A Bond funds for 54 projects. During the fiscal year, two additional projects were approved for the use of Measure A Bond funds; however no expenditures were incurred as of June 30, 2016. The District incurred net expenditures of \$2,487,322 during the fiscal year ended June 30, 2016, for the Measure A projects listed on the following page.

LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES A AND M GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2016

Measure A Projects	Prior Expenditures	June 30, 2016 Expenditures	Total Expenditures	June 30, 2016 Budget	Status
American River College					
Allied Health Modernization	\$ 2,383,861	\$ -	\$ 2,383,861	\$ 2,383,861	Completed
Fine Arts Expansion	5,055,937	-	5,055,937	5,055,937	Completed
Fine Arts Modernization	7,558,817	-	7,558,817	7,558,817	Completed
Learning Resource Center Expansion	450,091	-	450,091	450,091	Completed
Liberal Arts Building Modernization	-	-	-	16,516,979	In Progress
Library Expansion	3,886,287	-	3,886,287	3,886,287	Completed
Life Science & Fine Arts Modernization	722,404	-	722,404	722,404	Completed
Natomas Center Phase 1	8,152,049	-	8,152,049	8,152,049	Completed
Physical Education Addition, phases 1 and 2	9,265,450	-	9,265,450	9,265,450	Completed
Physical Education Phase 3-Swimming Pool	2,088,180	-	2,088,180	2,088,180	Completed
Temporary Portables - Swing Space	1,412,016	-	1,412,016	1,412,016	Completed
Transportation, Access, and Parking (TAP)	244,771	-	244,771	244,771	Completed
Cosumnes River College					
Bookstore & Cafeteria Expansion	1,126,541	-	1,126,541	1,126,541	Completed
Bookstore & Cafeteria Addition Phases 2 and 3	4,289,707	-	4,289,707	4,289,707	Completed
Community & Athletic Center Phase 2	1,777,551	-	1,777,551	1,777,551	Completed
Elk Grove Center Phase 1	13,300,841	-	13,300,841	13,300,841	Completed
Monument Signs	87,251	-	87,251	87,251	Completed
New Instructional & Library Building	6,701,858	-	6,701,858	6,701,858	Completed
Northeast Building Modernization	4,101,273	-	4,101,273	4,101,273	Completed
Police & Printing Building Modernization	1,886,626	-	1,886,626	1,886,626	Completed
Science Building Modernization	4,240,450	-	4,240,450	4,240,450	Completed
Science Instructional Laboratory Expansion	5,624,263	-	5,624,263	5,624,263	Completed
Swing Space for Bookstore & Cafeteria Expansion, Phase 2	184,031	-	184,031	184,031	Completed
Swing Space Portables	588,570	-	588,570	588,570	Completed
Transportation, Access & Parking (TAP) - 3 projects	3,582,729	-	3,582,729	3,582,729	Completed
Folsom Lake College					
Bookstore & Cafeteria Expansion	5,104,907	-	5,104,907	5,104,907	Completed
El Dorado Center New Instructional & Library Space	766,723	-	766,723	766,723	Completed
El Dorado Center Parking Lot Expansion	660,197	-	660,197	660,197	Completed
Monument Signs	84,786	-	84,786	84,786	Completed
New Bookstore & Cafeteria	6,851,899	-	6,851,899	6,851,899	Completed
New Instructional Facilities Phase 1C	16,215,173	-	16,215,173	16,215,173	Completed
New Physical Education Building	2,908,936	-	2,908,936	2,908,936	Completed
Physical Education Addition Phase 1 (Gym)	14,344,718	4,928	14,349,646	14,349,646	Completed
Rancho Cordova Center	13,625,970	2,451,693	16,077,663	16,091,216	Completed
Transportation, Access & Parking Phase 1B	1,497,595	-	1,497,595	1,497,595	Completed
Visual & Performing Arts Building	28,111,328	-	28,111,328	28,111,328	Completed
Visual & Performing Arts Building Marquee Sign	250,000	-	250,000	250,000	Completed
Sacramento City College					
Cafeteria Modernization	1,500,000	-	1,500,000	1,500,000	Completed
Cosmetology & Graphics Modernization	1,920,286	-	1,920,286	1,920,286	Completed
Davis Center Phase 1	12,506,915	-	12,506,915	12,506,915	Completed
Fine Arts Modernization	2,116,122	-	2,116,122	2,116,122	Completed
Mohr Hall Modernization	-	-	-	10,949,948	In Progress
Monument signs	88,772	-	88,772	88,772	Completed
North Gym Modernization	4,224,440	-	4,224,440	4,224,440	Completed
Performing Arts Modernization	3,610,955	-	3,610,955	3,610,955	Completed
Technology Building Modernization	2,363,678	-	2,363,678	2,363,678	Completed
Temporary Portables & Swing Space - 2 projects	958,734	-	958,734	958,734	Completed
Transportation, Access & Parking (TAP)	20,196,678	-	20,196,678	20,196,678	Completed
West Sacramento Center Phase 1	11,537,836	30,701	11,568,537	11,568,537	Completed
District Office					
Board Room Remodel	705,581	-	705,581	705,581	Completed
Facilities Management Relocation	5,023,099	-	5,023,099	5,023,099	Completed
Water Tower Additional Space	1,096,681	-	1,096,681	1,096,681	Completed
Water Tower Purchase	464,500	-	464,500	464,500	Completed
Total	\$ 247,448,063	\$ 2,487,322	\$ 249,935,385	\$ 277,415,865	

LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES A AND M GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2016

The District utilized Measure M Bond funds for 37 projects. During the fiscal year, two additional projects were approved for the use of Measure M Bond funds; however no expenditures were incurred as of June 30, 2016. The District incurred total expenditures of \$13,713,686 during the fiscal year ended June 30, 2016, for the following Measure M projects:

Measure M Projects	Prior Expenditures	June 30, 2016 Expenditures	Total Expenditures	June 30, 2016 Budget	Status
American River College					
Infrastructure - Water Well Replacement	\$ 145,617	\$ 476,130	\$ 621,747	\$ 1,560,106	In Progress
Physical Education & Athletic Fields Improvements	425,211	5,383,600	5,808,811	6,701,054	In Progress
Student Services Addition	3,332,470	385,761	3,718,231	3,728,788	Completed
Infrastructure Projects	903,299	-	903,299	903,299	In Progress
Liberal Arts Building Modernization	-	396,093	396,093	7,600,443	In Progress
Student Center Modernization and Expansion	20,933,158	-	20,933,158	20,933,159	Completed
Parking Structure and TAP	27,162,727	-	27,162,727	27,162,727	Completed
Culinary Arts Building	8,656,409	324,298	8,980,707	9,039,206	Completed
Cosumnes River College					
College Center Expansion	-	113,819	113,819	12,708,333	In Progress
Elk Grove Center Monument Sign	426	56,437	56,863	104,591	In Progress
Infrastructure-Hydroneic Mods & Underground Loop	511,058	1,329,158	1,840,216	1,861,251	In Progress
Infrastructure Projects	970,697	-	970,697	970,697	In Progress
Physical Education & Athletic Fields & TAP Improvements	13,125,516	-	13,125,516	13,125,516	Completed
Elk Grove Center Phase 1 TAP & Off-Site Improvements	3,367,340	-	3,367,340	3,367,340	Completed
Architecture and Construction Programs					
Instructional Building	14,043,804	-	14,043,804	14,043,804	Completed
Project Contingency	-	-	-	425,496	In Progress
Stadium Landscaping	200,218	(39,509)	160,709	234,810	Completed
Art Gallery Space	2,055,805	17,763	2,073,568	2,073,568	Completed
Folsom Lake College					
Rancho Cordova Center Off-Site Improvements	1,275,451	26,221	1,301,672	1,317,703	Completed
Rancho Cordova Center TAP 1	1,101,230	77,682	1,178,912	1,178,914	Completed
El Dorado Center Student Center Expansion	2,180,699	2,591	2,183,290	2,279,431	Completed
Physical Education & Athletic Fields Construction	19,033,202	-	19,033,202	19,033,202	Completed
Sacramento City College					
Infrastructure - Hydroneic Modifications	2,000	138,203	140,203	3,546,386	In Progress
Davis Center Phase 2	109,054	947,831	1,056,885	4,692,868	In Progress
Davis Center TAP Phase 2	-	-	-	883,000	In Progress
Electrical Switch Gear Replacement	-	14,077	14,077	2,412,750	In Progress
Mohr Hall Modernization	-	384,228	384,228	4,000,000	In Progress
Rodda Hall North 3rd Floor Remodel	451,411	2,189,833	2,641,244	3,438,569	In Progress
Student Services Modernization & Expansion	10,718,651	109,803	10,828,454	11,510,033	Completed
Infrastructure Projects	193,731	-	193,731	193,731	In Progress
Hughes Stadium Modernization	13,102,829	-	13,102,829	13,102,829	Completed
Swing Space Portable - Mohr Hall	-	6,819	6,819	204,000	In Progress
TAP Improvements	1,272,952	5,681	1,278,633	1,278,634	Completed
Lusk Aero Remodel	1,652,013	27,084	1,679,097	1,679,098	Completed
District Office					
Telecommunications Conversion to Voice Over IP	872,515	17,595	890,110	890,110	Completed
Security Improvements Phase 1A and 1B	2,059,071	1,192,562	3,251,633	4,759,801	In Progress
Workforce & Economic Development (WED) Facility	3,214,205	102,646	3,316,851	8,439,239	In Progress
Infrastructure Projects	1,778,247	27,280	1,805,527	1,825,408	In Progress
Ethan Way Upgrade	324,871	-	324,871	324,872	Completed
Total	\$ 155,175,887	\$ 13,713,686	\$ 168,889,573	\$ 213,534,766	

LOS RIOS COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURES A AND M GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2016

Each of the projects under Measures A and M has been given a specific project identification number within the District's applicable Bond Projects Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

CONCLUSION

Based upon the procedures performed, we found that, for the items tested, the Los Rios Community College District has properly accounted for the expenditures of the Measure A and M General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.