

**LOS RIOS  
COMMUNITY COLLEGE DISTRICT**

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**GENERAL OBLIGATION BONDS  
MEASURE A  
FINANCIAL AUDIT**

**JUNE 30, 2018**

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

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JUNE 30, 2018**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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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, 2018, 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 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 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, 2018, 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 present only the Measure A Building Fund specific to General Obligation Bonds, and are not intended to present fairly the financial position and the changes in financial position of Los Rios Community College District 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 December 3, 2018, 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Building Fund, Measure A internal control over financial reporting and compliance.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 3, 2018

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

**BALANCE SHEET  
JUNE 30, 2018**

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**ASSETS**

Cash and investments	\$ 27,706,240
Accounts receivable	122,147
<b>Total Assets</b>	<u><u>\$ 27,828,387</u></u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 9,516
<b>Total Liabilities</b>	<u>9,516</u>

**FUND BALANCES**

Restricted	27,818,871
<b>Total Fund Balances</b>	<u>27,818,871</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 27,828,387</u></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, 2018**

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<b>REVENUES</b>	
Interest income	\$ 122,147
<b>Total Revenues</b>	<u>122,147</u>
<b>EXPENDITURES</b>	
Current	
Capital outlay	-
<b>Total Expenditures</b>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>122,147</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Bond issuance	27,500,000
Bond administrative costs	(25,514)
<b>Net Financing Sources</b>	<u>27,474,486</u>
<b>NET CHANGE IN FUND BALANCES</b>	27,596,633
<b>FUND BALANCE - BEGINNING</b>	222,238
<b>FUND BALANCE - ENDING</b>	<u>\$ 27,818,871</u>

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, 2018

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### ***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, 2018, 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, 2018**

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**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, 2018, 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, 2018

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### **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 \$27,706,240 with the County of Sacramento Treasury Pool. The fair value of this investment is approximately \$27,631,433 with an average maturity of 309 days.

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

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

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**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, 2018:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury Pool	\$ 27,631,433	\$ -	\$ -	\$ -	\$ 27,631,433

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2018, 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, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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**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, 2018, and have issued our report thereon dated December 3, 2018.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure A General Obligation Bonds, and are not intended to present fairly the financial position and changes in financial position of Los Rios Community College District 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinek, Tine, Day & Co LLP*

Pleasanton, California  
December 3, 2018

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.