



Financial and Performance Audits
General Obligation Bonds (Measure A)
June 30, 2020

Los Rios Community College District

FINANCIAL AUDIT

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Financial Audit
General Obligation Bonds (Measure A)
June 30, 2020

Los Rios Community College District



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), Building Fund (Measure A), as of and for the year ended June 30, 2020, and the related notes to the financial 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 Building Fund (Measure A) of the Los Rios Community College District at June 30, 2020, 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 Building Fund (Measure A), 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, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of the Building Fund's (Measure A) 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 Building Fund's (Measure A) 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 Building Fund's (Measure A) internal control over financial reporting and compliance.



San Ramon, California
February 4, 2021

Los Rios Community College District
Building Fund (Measure A)
Balance Sheet
June 30, 2020

ASSETS

Accounts receivable	<u>\$ 135,468</u>
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LIABILITIES

Due to other funds	<u>\$ 135,468</u>
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Los Rios Community College District
Building Fund (Measure A)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2020

REVENUES	
Interest income	\$ 135,468
EXPENDITURES	
Current	
Capital outlay	<u>16,752,238</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(16,616,770)</u>
OTHER FINANCING USES	
Bond administrative costs	<u>(10,193)</u>
NET CHANGE IN FUND BALANCE	(16,626,963)
FUND BALANCE - BEGINNING	<u>16,626,963</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Los Rios Community College District (the 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 Fund (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 (Measure A) of the Los Rios Community College District used to account for Building Fund (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, 2020, 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. Proposition 39 requires the district to conduct an annual independent financial audit of the bond proceeds until all of the proceeds have been expended. As of June 30, 2020, Measure A has been fully issued and expended; therefore, this is final annual independent financial audit for the Measure A Building Fund.

Fund Accounting

The operations of the Building Fund (Measure A) 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 Building Fund (Measure A) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. 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.

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

The Measure A Building Fund has a \$0 fund balance at June 30, 2020.

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 during the reporting period. Actual results could differ from those estimates.

Note 2 - Accounts Receivable

Accounts receivable at June 30, 2020 consists of interest receivable of \$135,468.

Note 3 - Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected the period in which transactions are executed. Interfund receivable and payables at June 30, 2020, between government funds is \$135,468 due to Building Fund (Measure A) delay in cash receipt of the fourth quarter interest necessary to pay closeout expenditures.

Note 4 - Commitments and Contingencies

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 Building Fund (Measure A) funds at June 30, 2020.



Independent Auditor's Report
June 30, 2020

Los Rios Community College District



**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) Building Fund (Measure A) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 4, 2021.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to the Measure A 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, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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) as a basis for designing 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 Building Fund (Measure A) 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 Building Fund (Measure A) 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 Building Fund (Measure A) 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 financial statements. 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 Building Fund (Measure A) 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 Building Fund (Measure A) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Ramon, California
February 4, 2021

None reported.

Los Rios Community College District
Building Fund (Measure A)
Summary of Schedule of Prior Audit Findings
June 30, 2020

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit
General Obligation Bonds (Measure A)
June 30, 2020

Los Rios Community College District



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 (the District) Building Fund (Measure A) for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's 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 District's internal control in order to determine if the internal controls were adequate to help ensure the District'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 of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended Building Fund (Measure A) 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.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

Eide Bailly LLP

San Ramon, California
February 4, 2021

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.

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 Building Fund (Measure A) 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 Building Fund (Measure A) 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, 2019 to June 30, 2020. 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, 2020, were not reviewed or included within the scope of our audit or in this report. Proposition 39 requires the district to conduct an annual independent performance audit of the bond proceeds until all of the proceeds have been expended. As of June 30, 2020, Measure A has been fully issued and expended; therefore, this is final annual independent performance audit for Measure A.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2020, for the Building Fund (Measure A). Within the fiscal year audited, we obtained the actual invoices, purchase orders, 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 Measure A 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, 2019 and ending June 30, 2020, 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 \$13,690,784. This represents 82 percent of the capital outlay and bond administrative cost expenditures of \$16,762,431.
3. We verified that funds from the Building Fund (Measure A) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

Conclusion

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

None reported.

Los Rios Community College District
Building Fund (Measure A)
Summary of Schedule of Prior Audit Findings
June 30, 2020

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.