LOS RIOS COMMUNITY COLLEGE DISTRICT MEASURES A AND M BOND FUNDS

Sacramento, California

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited the accompanying statement of net assets of the Measures A and M Bond Funds (the Measures) of Los Rios Community College District (the District) as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets; and cash flows for the year then ended. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements present only the Measures and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2009, and the results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measures as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT
Continued

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Matson and Isom

November 12, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

Our discussion and analysis of the Los Rios Measures A and M Bond Funds audit report provides an overview of the financial activities related to the Bond Funds for the fiscal year ended June 30, 2009. The financial statements referenced begin on page 9 of the audit report.

Accounting Standards

The format of these financial statements follows Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The California Community College Chancellor's Office has recommended that all State community college districts follow the Business Type Activity (BTA) model of the standard. Los Rios Community College District (LRCCD) applied the BTA reporting model to comply with the recommendation and to report in a manner consistent and comparable with other community college districts.

Using This Annual Report

This annual report consists of the Statement of Net Assets on page 9; the Statement of Revenues, Expenses, and Change in Net Assets on page 10; the Statement of Cash Flows on page 11; and the accompanying notes.

Financial Highlights

Measure A

During the year, four projects were completed and six projects moved into the construction phase. Through June 30, 2009, expenditures have been made on a total of 48 projects ranging from the early planning phase to completion. Cosumnes River College has 13 projects with expenditures to date totaling $26.7 million. Sacramento City College has 11 projects with expenditures of $41.4 million. Folsom Lake College and American River College each have 10 projects with amounts expended to date of $47.6 million and $37.7 million, respectively. Expenditures for the four projects for the District Office were $7.3 million. To date, the District has added 950,000 square feet and modernized 170,000 square feet of facilities from Measure A, State and local sources. This has allowed us to serve over 15,000 additional students.

Proceeds from Series A (issued in 2002) and Series B (issued in 2004) general obligation bond issuances ($27.5 million and $65 million, respectively) have been fully expended.

In July 2006, the District issued Series C in the amount of $70 million. Eighty-five percent of the proceeds were expended by June 30, 2009, in compliance with Internal Revenue Service arbitrage requirements regarding the use of proceeds within three years of issuance.

In August 2009, the District issued Series D in the amount of $55 million, bringing the total issued to $217.5 million. Series D will fund projects scheduled over the next three years.

Measure M

In November 2008, voters approved Measure M, a $475 million general obligation bond to finance construction and modernization of educational and support facilities for the next decade. Preliminary planning has started with $279,958 in expenses incurred as of June 30, 2009. Until issuance of Measure M Series A, the District is advancing funds to cover these costs. The District anticipates issuing Series A of Measure M in Fall 2010.

Other Financial Highlights

Review of annual tax rates since 2003 indicates that tax rates resulting from the issuance of Series A, B and C are below the projected average tax rate of $9.96 per $100,000 of assessed value. The highest projected rate is $16.25. Following is the schedule of actual tax rates:

Measure A	2003	2004	2005	2006	2007	2008	2009
Actual Rate	$2.90	$1.50	$6.00	$3.20	$7.20	$6.60	$7.40

The Statement of Net Assets reflects the assets and liabilities of the funds. Assets primarily consist of amounts expended to date for projects, net of depreciation, and funds available for future projects or debt service. Liabilities consist primarily of outstanding debt, related interest payable and amounts payable to vendors. Net assets are, by definition, the difference between assets and liabilities.

The Statement of Revenues, Expenses, and Changes in Net Assets summarizes operating and financing activity, but excludes proceeds from the sale of bonds and construction, purchases and other project costs. The primary components of revenues are property taxes assessed for debt service and interest and investment income; expenses include depreciation of assets completed and put into service, interest expense on outstanding bonds, and the amortization of bond issuance costs. Changes in net assets result from bond debt retired during the year, interest income earned on unexpended bond proceeds, property taxes collected for future debt service less accrued bond interest expense, non-cash adjustments for current year depreciation expense, and the amortization of bond premiums and bond issuance costs.

The Statement of Cash Flows reports the cash flow related to categories shown on the previous two statements discussed above. Categories include noncapital financing activities, capital and related financing activities and investing activities. The increase or decrease in cash balance depends on the current year cash flow activities.

Total assets are $171.2 million, which includes $147.3 million in capital assets. This is a $4.1 million decrease from 2007-2008 and is primarily a result of additional depreciation on existing capital assets and reduced interest earnings due to declining interest rates.

Liabilities consist of $157.5 million, which includes $148.2 million in long-term debt, and are predominantly related to the debt obligation from Series A, B and C. The decrease of $4.5 million from 2007-08 is due to principal and interest payments made on the outstanding bonds.

For the year ended June 30, 2009 and 2008, net assets, which are all restricted, changed as follows:

	2009	2008
Beginning net assets	$ 13,262,158	$ 10,259,901
Increase in net assets	501,884	3,002,257
Ending Net Assets	$ 13,764,042	$ 13,262,158

Total revenues were $12.2 million which consisted of $11.0 million in local property tax income and $1.2 million in investment income. Total expenses were $11.7 which consisted primarily of $6.6 million in bond interest costs and $5 million in depreciation expense.

Construction commitments totaled $9.0 million at June 30, 2009. Subsequent to June 30, 2009, additional construction encumbrances have been recorded totaling $0.4 million.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

Due to market conditions in the construction industry, the District has seen an increase in the number of bidders for construction projects, resulting in more competitive pricing.

Because of the secure nature of general obligation bonds, it is anticipated that the subprime mortgage market crisis and the downturn in the housing market will not have an impact upon the District's financial security, ability to repay existing debt, or the schedule to issue remaining debt authorized by the voters.

The Governor's 2008-09 budget identified several District projects for state funding to support a large portion of the costs. The budget proposal was contingent upon a bond authorization in 2008, which, because of the declining economy, was ultimately not placed on the ballot. This lack of a 2008 State bond resulted in a reevaluation of both the timing and funding source for these needed projects.

Many of our construction projects are funded through a combination of State and local bonds. During 2008-09, because of the economic crisis, the State was unable to sell previously authorized state construction bonds through the Pooled Money Investment Board (PMIB). Claim payments ceased temporarily, but eventually were paid. The District continued construction utilizing local bond funds until payments from the State resumed.

In November 2008, voters approved Measure M, a $475 million 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.

In 2009, the State's assessed valuation declined for the first time since recordkeeping began in 1933. This will result in an increase in tax rates in future years; however, it is expected Measure A tax rates will remain within the projected tax rate outlined in the related tax rate statement. In response to the State's budget crisis, the District reevaluated project timelines to fast track certain projects to take advantage of the bid climate and stimulate the local economy, while deferring others until future State bond issues. Several of these "fast track" projects will commence in 2010-11.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Bond Measures Funds' financial activity and to demonstrate the accountability that the funds are being used as intended. If you have any questions about this report or need additional financial information, contact Los Rios Community College District, 1919 Spanos Court, Sacramento, CA 95825. You may also view Oversight Committee minutes and reports at www.losrios.edu/lrc/lrc_measureA.php.

FINANCIAL SECTION

June 30, 2009

ASSETS		
CURRENT ASSETS		
Interest receivable	$	137,096
NONCURRENT ASSETS		
Restricted cash and cash equivalents		16,288,439
Restricted investments		6,160,074
Deposits		304,920
Deferred charges		1,072,780
Capital assets - net		147,276,922
Total Assets	$	171,240,231
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	1,687,007
Interest payable		2,862,923
Long-term debt - current portion		4,742,769
Total Current Liabilities		9,292,699
NONCURRENT LIABILITIES		
Long-term debt - noncurrent portion		148,183,490
Total Liabilites		157,476,189
NET ASSETS		
Restricted for Measures A and M Bonds		13,764,042
Total Liabilities and Net Assets	$	171,240,231

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2009	
OPERATING EXPENSES	
Depreciation	$ 4,941,203
Operating Loss	(4,941,203)
NONOPERATING REVENUES (EXPENSES)	
Interest income - noncapital	91,343
Investment income - noncapital	38,633
Amortization of deferred charges	(54,059)
Total Nonoperating Revenues (Expenses)	75,917
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,865,286)
Local property taxes and revenues - capital	11,058,569
Interest income - capital	1,034,500
Investment expense - capital	(127,312)
Interest expense on capital asset-related debt	(6,598,587)
Increase in Net Assets	501,884
Net Assets - Beginning of Year	13,262,158
Net Assets - End of Year	$ 13,764,042

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

Year Ended June 30, 2009	
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	$ -
Net Cash Provided by Operating Activities	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest on noncapital investments	192,177
Investment income (fees) on noncapital investments	38,633
Net Cash Provided by Noncapital Financing Activities	230,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(41,707,061)
Principal paid on capital debt	(4,295,000)
Interest paid on capital debt	(6,959,108)
Investment income (fees) on capital assets	330,978
Interest on capital investments	1,822,174
Local property taxes and other receipts for capital purposes	11,058,569
Net Cash Used by Capital and Related Financing Activities	(39,749,448)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	52,259,088
Purchase of investments	(12,079,153)
Net Cash Provided by Investing Activities	40,179,935
Net Increase in Cash and Cash Equivalents	661,297
Cash and Cash Equivalents - Beginning of Year	15,627,142
Cash and Cash Equivalents - End of Year	$ 16,288,439
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (4,941,203)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation expense	4,941,203
Net Cash Provided by Operating Activities	$ -

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity Los Rios Community College District (the District) provides higher education in the greater Sacramento area, which consists of portions of five counties. The District consists of four colleges, three centers, and several satellite locations located throughout the service area (the Primary Institution). These financial statements present only the Measures A and M Bond Funds (the Measures), which consists of building funds and the bond debt service funds. These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure A Bond is a facilities and equipment bond measure for the District adopted by the Board of Trustees and passed by voters on March 5, 2002. The Measure provides $265,000,000 from current interest bonds and capital appreciation bonds. Through June 30, 2009, $162,500,000 of bonds have been issued as follows:

> A total of $23,870,000 of Series A current interest bonds are financed over 25 years with principal and interest payments due each February 1 and August 1, beginning August 1, 2003. A total of $3,630,000 of Series A capital appreciation bonds are payable in two lump sums of principal and interest on August 1, 2026, and August 1, 2027. A total of $56,860,000 of Series B current interest bonds are financed over 25 years with principal and interest payments due each February 1 and August 1, beginning February 1, 2005. A total of $8,140,000 of Series B capital appreciation bonds are payable in two lump sums of principal and interest on August 1, 2026, and August 1, 2027. A total of $52,680,000 of Series C serial bonds are financed over 25 years with principal and interest payments due each February 1 and August 1, beginning February 1, 2007. A total of $17,320,000 of Series C term bonds are payable in four annual lump sum payments of principal and interest from August 1, 2027 to August 31, 2030.

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. Preliminary planning has started and the District is advancing funds to cover these costs.

The Sacramento County Board of Supervisors is empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of and interest on the bonds. The District has established separate capital project funds and separate debt service funds to account for the activities of the Measures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and, where applicable, Financial Accounting Standards Board (FASB) statements issued through 1989.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges, which is consistent with generally accepted accounting principles.

Cash and Cash Equivalents The District considers demand deposits and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes, bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The value of the District's position in the pool is the fair value of the pool shares. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2009, the fair value of the County pool is 100.71% of the carrying value. The County does not invest in derivatives. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains or losses is independent of the calculation of the net increase or decrease in the fair value of cash and cash equivalents. Realized gains and losses on cash and cash equivalents that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of cash and cash equivalents reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2009, was $38,633. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on cash and cash equivalents held at June 30, 2009, was $114,833.

Restricted Cash and Cash Equivalents and Investments Cash and investments that are externally restricted for contractual obligations, such as debt service payments, sinking or reserve funds, or obligations to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

Deferred Charges Deferred charges are bond issuance costs and are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method.

Capital Assets Capital assets are recorded at cost on the date of acquisition or fair market value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $200 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed on a straight-line basis using the half-year convention over the estimated useful life of the assets; generally 50 years for buildings, 10 years for land improvements, 8 years for equipment, 5 years for library books, and 3 years for technology equipment.

Bond Premium Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are recorded as long-term liabilities.

Budgets and Budgetary Accounting By State law, the District's Board of Trustees must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's Board of Trustees satisfied these requirements.

The budget is revised during the year to incorporate categorical funds which are awarded during the year and for miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's Board of Trustees.

Investments Investments are reported at fair value. Fair value is determined from quoted market prices. The District is restricted by State law and the Board's investment policy in the types of investments that can be made. Permissible investments include the County treasury, the State Local Agency Investment Fund (LAIF), federally insured deposits, and individual securities. The District's investment policy further limits its investments to U.S. government and government agency instruments, negotiable certificates of deposits, and corporate notes and bonds. The weighted average maturity of all investments shall be three years or less. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity.

During the year, the District realized a net gain of $723,912 from the sale of investments. The calculation of realized gains or losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2009, was $851,224. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2009, was $160,921.

Estimates Used in Financial Reporting In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The Measures' largest source of revenue is property taxes, which are subject to some estimation at the date of the financial statements.

Net Assets The District's net assets are classified as follows:

Restricted for Measures A and M Bonds Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Classification of Revenues The District has classified its revenues as nonoperating revenues according to the following criteria:

Nonoperating Revenues Includes activities that have the characteristics of nonexchange transactions, such as capital gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as state appropriations and investment income. This is according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*; and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Insurance Coverage The District is self-insured for liability and property damage on the first $250,000 and $100,000 of each claim, respectively. The District is also self-insured for workers' compensation claims on the first $500,000 of each claim. Estimated losses and changes in prior-year reserve balances are expensed in the current period.

Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker. Coverage in excess of self-insurance limits for property damage and liability up to $500,000,000 and $45,000,000, respectively, are provided by pooled insurance as members of a joint powers authority of California community colleges and school districts.

Property Tax Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in three installments on or before February 10, June 10, and August 10. The counties of El Dorado, Placer, Sacramento, Solano, and Yolo bill and collect the taxes for the District.

3. RESTRICTED CASH AND INVESTMENTS

The following is a summary of restricted cash and investments at June 30, 2009:

	Fair Value
INVESTMENTS THAT ARE NOT SECURITIES (1)	
County treasurer's investment pool	$ 16,288,439
U.S. GOVERNMENT AGENCY SECURITIES	
Federal National Mortgage Association	6,160,074
Total Restricted Cash and Investments	$ 22,448,513

(1) *Investments That Are Not Securities.* A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Restricted investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO) and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District has no investment policy that would further limit its investment choices. The District's investment in the County investment pool is unrated. The District's investments in the U.S. government agency securities have an insured rating of AAA or Aaa by Standard & Poor's or Moody's indices.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the Measures' investment in a single issuer. The Measures hold 27.44% of their investments in the Federal National Mortgage Association.

Interest Rate Risk – Investments

The schedule of maturities at June 30, 2009, are as follows:

Investment Type	Fair Value	Maturity (in Years) Less than 1
County treasurer's investment pool	$ 16,288,439	$ 16,288,439
Federal National Mortgage Association	6,160,074	6,160,074
Totals	$ 22,448,513	$ 22,448,513

The Federal National Mortgage Association holds mortgage-backed securities which entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage securities are sensitive to interest rate changes because principal payments either increase (in a low interest rate environment) or decrease (in a high interest rate environment). A change, up or down, in the payment rate will result in a change in the security yield.

4. CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
DEPRECIABLE ASSETS				
Buildings and improvements	$ 77,775,732	$ 10,781,814	$ -	$ 88,557,546
Site improvements	15,343,890	3,207,833	-	18,551,723
Equipment and library books	7,282,433	722,868	-	8,005,301
NONDEPRECIABLE ASSETS				
Construction in progress	14,719,498	32,698,847	5,608,260	41,810,085
Land	3,312,171	-	-	3,312,171
Total	118,433,724	47,411,362	5,608,260	160,236,826
Less: Accumulated depreciation	8,018,701	4,941,203	-	12,959,904
Total Capital Assets - Net	$ 110,415,023	$ 42,470,159	$ 5,608,260	$ 147,276,922

5. LONG-TERM DEBT

The long-term liability activity for the year ended June 30, 2009, is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General obligation bond payable	$ 153,605,000	$ -	$ 4,295,000	$ 149,310,000	$ 4,495,000
Unamortized premium	3,903,369	-	287,110	3,616,259	247,769
Total Long-Term Liabilities	$ 157,508,369	$ -	$ 4,582,110	$ 152,926,259	$ 4,742,769

The outstanding general obligation bonded debt as of June 30, 2009, is as follows:

2002 Series A general obligation bond, due in annual installments of $575,000 to $1,860,000 beginning August 1, 2003, through August 1, 2027, at interest from 3.40% to 6.40%.	$ 23,585,000
2002 Series B general obligation bond, due in annual installments of $650,000 to $4,345,000 beginning August 1, 2005, through August 1, 2028, at interest from 2.00% to 5.00%.	59,160,000
2002 Series C general obligation bond, due in annual installments of $1,680,000 to $4,620,000 beginning August 1, 2007, through August 1, 2030, at interest from 4.25% to 5.25%.	66,565,000
Total	$ 149,310,000

The amount of interest cost incurred during the year ended June 30, 2009, was $6,885,697, all of which was charged to expenses. The annual requirements to amortize the long-term debt are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 4,495,000	$ 6,774,109	$ 11,269,109
2011	4,695,000	6,571,059	11,266,059
2012	4,935,000	6,369,890	11,304,890
2013	5,160,000	6,175,453	11,335,453
2014	5,395,000	5,965,834	11,360,834
2015-2019	30,800,000	26,233,665	57,033,665
2020-2024	38,520,000	18,302,859	56,822,859
2025-2029	46,270,000	7,906,884	54,176,884
2030-2034	9,040,000	457,000	9,497,000
Total	$ 149,310,000	$ 84,756,753	$ 234,066,753

6. JOINT POWERS AGREEMENTS

The District is a participant in the Schools Excess Liability Fund (SELF). SELF is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to SELF by all participants, the District may be required to provide additional funding.

The District is a participant in the Alliance of Schools for Cooperative Insurance Program (ASCIP). ASCIP is a JPA established for the purpose of providing the services, facilities, and items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance system for property, liability, and workers' compensation claims and losses against public educational agencies who are members thereof. The District only participates in the JPA property and liability programs. Should property claims exceed amounts funded to ASCIP by all participants, the District may be required to provide additional funding. Should liability claims exceed established ASCIP limits, the District has excess coverage with SELF. ASCIP also provides for additional insurance and risk management programs and services, as well as a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding self insurance for losses and other insurance and risk management programs and services.

The JPAs are independently accountable for their fiscal matters and are not components of the District for financial reporting purposes. Financial information for the JPAs was not available for the year ended June 30, 2009, as of the date of this report. Condensed audited financial information for the SELF and ASCIP for the year ended June 30, 2008, is as follows:

	SELF (Audited)	**ASCIP (Audited)**
Total assets	$ 238,680,000	$ 215,712,557
Total liabilities	189,962,000	130,986,429
Net Assets	$ 48,718,000	$ 84,726,128
Total revenues	$ 41,599,000	$ 180,665,803
Total expenses	22,991,000	160,805,930
Total Change in Net Assets	$ 18,608,000	$ 19,859,873

7. CONSTRUCTION COMMITMENTS

The District entered into several construction commitments ranging from $1,900 to $7,569,974 for a total of $9,047,225. Subsequent to June 30, 2009, the District entered into several additional construction commitments ranging from $67,054 to $357,004 for a total of $424,058.

8. SUBSEQUENT EVENT

On August 4, 2009, the District issued $55,000,000 of Series D general obligation bonds authorized through Measure A. Interest on the bonds is payable semi-annually at rates ranging from 2.00% to 5.25%. Principal maturities for the Series D serial bonds aggregating $38,005,000 range from $1,235,000 to $2,910,000 and are due annually on August 1 through 2029. Series D capital appreciation bonds of $16,995,000 are due August 1, 2034. Sinking fund deposits to retire Series D capital appreciation bonds range from $3,055,000 to $3,765,000 and are due annually on August 1 from 2030 to 2034.

OTHER REPORT

Certified Public Accountants

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INDEPENDENT AUDITORS' 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 the financial statements of the Measures A and M Bond Funds (the Measures) of Los Rios Community College District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements of the Measures, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Measures' financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

INDEPENDENT AUDITORS' 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*
Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measures' 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*.

This report is intended solely for the information and use of the Citizens' Oversight Committee, Board of Trustees, management, and others within the District; and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

November 12, 2009