LOS RIOS COMMUNITY COLLEGE DISTRICT MEASURES A AND M BONDS

SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2015

LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURES A AND M BONDS

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JUNE 30, 2015

Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Los Rios Community College District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2015, and the related notes to the financial statements, which collectively comprise the Measures' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or in error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 Measures and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2015, and the changes in its financial position, or its cash flows 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 4, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Required Supplementary 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, 2015. The financial statements referenced begin on page 8 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 adopted the Business Type Activity (BTA) model as the standard for all colleges to use and these statements are prepared accordingly.

Using This Annual Report

This annual report consists of the Balance Sheet on page 8, the Statement of Revenues, Expenses, and Change in Net Position on page 9, the Statement of Cash Flows on page 10, and the accompanying notes on pages 11-19.

Financial Highlights

Measure A

Since August 2002, five series of bonds have been issued totaling $237.5 million of the $265 million authorized by the voters in March 2002.

Measure A bond issuances were as follows:

Measure A	Date	Bond Amount (in millions)
Series A*	August 1, 2002	$ 27.5
Series B**	April 1, 2004	65.0
Series C**	July 25, 2006	70.0
Series D	August 4, 2009	55.0
Series E	June 27, 2013	20.0
Total		**$ 237.5**

*2010 Refunding bonds were issued in October 2010 for $21,025,000, which fully refunded the Series A bonds.

**2011 Refunding bonds were issued in October 2011 for $40,195,000. 2012 Refunding bonds were issued in March 2012 for $62,920,000. These issues refunded all but $2,175,000 of the Series B bonds and all but $6,560,000 of the Series C bonds, both of which have subsequently been retired.

Series A, B, C and D have been fully expended. As of June 30, 2015, $16.8 million has been expended from Series E.

Through June 30, 2015, Measure A project expenditures were as follows:

Location	Number of Projects	Expenditures to Date (in millions)
American River College	11	$ 41.2
Cosumnes River College	15	47.5
Folsom Lake College	12	90.4
Sacramento City College	12	61.0
District Office	4	7.3
Totals	**54**	**$ 247.4**

Measure M

Since October 2010, two series of bonds have been issued totaling $190 million of the $475 million authorized by the voters in November 2008.

Measure M bond issuances were as follows:

Measure M	Date	Bond Amount (in millions)
Series A	October 19, 2010	$ 130.0
Series B	June 27, 2013	60.0
Total		**$ 190.0**

At June 30, 2015, $130 million had been spent from the Series A bond issue, $24.2 million has been spent from Series B.

Through June 30, 2015, Measure M projects and expenditures were as follows:

Location	Number of Projects	Expenditures to Date (in millions)
American River College	7	$ 61.6
Cosumnes River College	8	34.3
Folsom Lake College	4	23.6
Sacramento City College	9	27.5
District Office	5	8.2
Totals	**33**	**$ 155.2**

To date, the District has added more than 1.8 million square feet and modernized over 380,000 square feet of facilities from Measures A and M, State and local sources.

Other Financial Highlights

Measure A's projected average tax rate was $9.96 per $100,000 of assessed value and the highest projected rate was $16.25. Measure M's projected flat tax rate was $9.09 per $100,000 of assessed value.

Following is a schedule of actual tax rates, per $100,000 of assessed value:

				Taxpayer Savings Over Projected Tax Rate	
Tax Year	Measure A	Measure M	Total Tax Rate	Measure A	Measure M
2003	$ 2.90		$ 2.90	$7.06-13.35	
2004	1.50		1.50	8.46-14.75	
2005	6.00		6.00	3.96-10.25	
2006	3.20		3.20	6.76-13.05	
2007	7.20		7.20	2.76-9.05	
2008	6.60		6.60	3.36-9.65	
2009	7.40		7.40	2.56-8.85	
2010	12.40		12.40	Up to 3.85	
2011	9.00		9.00	0.96-7.25	
2012	11.80	$ 7.40	19.20	Up to 4.45	$ 1.69
2013	13.40	5.90	19.30	Up to 2.85	3.19
2014	10.80	7.30	18.10	Up to 5.45	1.79
2015	7.40	3.90	11.30	2.56-8.85	5.19
2016	3.50	5.60	9.10	6.46-12.75	3.49

The District received insured ratings of AAA from Standard & Poor's and Aaa from Moody's on the first three issuances, resulting in lower bond interest costs. Prior to issuance of Measure A, Series D, the District received an upgrade of its Standard & Poor's uninsured rating from A+ to AA- which should result in an estimated savings of $4.5 million to local taxpayers over the term of the Series D bonds. In March 2010, the District also received an upgrade in its Moody's rating from Aa3 to Aa2. The District maintained these favorable ratings of AA- and Aa2 on its subsequent bond issuances, 2002 Series E and 2008 Series B.

The Balance Sheet reflects the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the funds.

- Assets primarily consist of funds available for future projects or debt service and amounts expended to date for projects, net of depreciation.

- As defined by GASB, deferred outflows of resources are the consumption of net assets by the District that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows consist of the deferred amount on refunding, the difference between the reacquisition price of refinanced bond debt and the net carrying amount of the old debt. This deferred amount on refunding is amortized over the term of the shorter of the life of the old or the new debt.

- Liabilities consist primarily of outstanding debt, related interest payable and amounts payable to vendors.

- Net position as defined by GASB is the difference between all elements in the balance sheet (assets plus deferred outflows of resources minus liabilities less deferred inflows of resources).

The Statement of Revenues, Expenses and Changes in Net Position summarize operating, finance and capital activities, but exclude proceeds from the sale of bonds and construction and other project costs. The primary components of revenues are property taxes assessed for debt service and investment income. Expenses include depreciation of assets completed and put into service, interest expense on outstanding bonds (not capitalized), and bond debt service costs. Changes in net position result from 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.

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

Total assets are $460 million. This is a $9 million decrease from 2013-14 and is the result of an increase in accumulated depreciation. Deferred outflows of resources are $5.7 million, a $0.6 million decrease from the prior year resulting from the annual amortization of deferred amount on refunding.

Liabilities of $392 million are predominantly related to the debt obligation from Measures A and M. The decrease of $15 million from 2013-14 is due primarily to the payment of principal on outstanding debt of $9 million and the annual amortization of premiums on bonds issued of $3 million.

For the years ended June 30, 2015 and 2014, net position changed as follows:

	2015	2014
Beginning net position	$ 68,273,283	$ 38,414,062
Prior period adjustment	-	18,899,806
Beginning net position - adjusted	68,273,283	57,313,868
Increase (decrease) in net position	5,091,988	10,959,415
Ending Net Position	$ 73,365,271	$ 68,273,283

The prior period adjustment for the year ended June 30, 2014 is a correction to recognize prior year property tax collections that were underreported to us by the Sacramento County Treasurer for servicing the debt of the District's general obligation bonds. The result of the adjustment is beginning net position and accounts receivable increased by $18,899,806 as of July 1, 2013.

Primarily due to the increase in capitalized interest, net position grew $5 million for the year ended June 30, 2015.

In 2014, the Securities and Exchange Commission ("SEC") announced a new initiative, the Municipalities Continuing Disclosure Cooperation ("MCDC"). The MCDC Initiative is intended to address potential violations of the federal securities laws by municipal issuers and underwriters of municipal securities in connection with certain representations related to continuing disclosures (Rule 15c2-12) in bond offering documents. The district has complied with the requirements of the Continuing Disclosure Certificates by filing all required documents and material event notices in a timely manner.

Economic Factors That May Affect the Future

The District continues to receive favorable construction bids. While prices have risen since the depth of the economic downturn, we continue to receive multiple bids at competitive prices. This continuing benefit has enabled the District to deliver high quality educational facilities at a cost effective price. In 2015, assessed valuation increased by 6% and increased by 5% in 2016. If assessed valuations continue to increase by at least the projected rate of 3.5%, the District should not need to delay bond issuances to stay within the projected tax rate of $9.09 for Measure M.

The District anticipated State Capital Outlay funds to support some modernization and expansion projects in its building program. There has not been a State education bond measure since 2006 and the State has allocated all of its capital outlay funds. Los Rios has postponed some projects awaiting a State bond measure which will likely be on the ballot in November 2016. In the interim, the District is going forward with three projects without State support. Two of those were not recommended for initial funding allocation and would not be included if the State bond is successful. If the bond is successful, the following projects were recommended by the California Community Colleges Chancellor's Office for fiscal year 2016-17 funding from the next State-wide facilities bond measure.

1. American River College Natomas Center Phases 2 and 3
2. Folsom Lake College Instructional Buildings Phase 2.1

In 2013, California Assembly Bill AB 182 was enacted, limiting the issuance of Capital Appreciation Bonds (CABs) for community college construction projects. CABs allowed for extended repayment schedules for up to 40 years with delayed principal and interest payments resulting in a high debt to principal ratio. None of Los Rios' bond issuances utilized any CABs and all previous series met all of the requirements of AB 182.

Contacting Financial Management

This financial report is designed to provide an overview of the financial activity of Measures A and M bond funds and to demonstrate 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 Committee minutes and reports at http://www.losrios.edu/lrc/lrc_bondmeasures.php.

FINANCIAL STATEMENTS

LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURES A AND M BOND FUNDS

BALANCE SHEET
JUNE 30, 2015

ASSETS	
Current assets:	
Restricted cash and cash equivalents	$ 66,936,627
Accounts receivable	58,787
Interest receivable	136,834
Total current assets	67,132,248
Noncurrent assets:	
Restricted investments	12,039,013
Depreciable capital assets, net	327,352,574
Nondepreciable capital assets	53,137,711
Total noncurrent assets	392,529,298
TOTAL ASSETS	459,661,546
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount on refunding	5,650,456
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 465,312,002
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,469,005
Interest payable	8,567,715
Long-term debt - current portion	12,312,853
Total current liabilities	22,349,573
Noncurrent liabilities:	
Long-term debt - net of current portion	369,597,158
TOTAL LIABILITIES	391,946,731
NET POSITION:	
Restricted for Measures A and M Bonds	73,365,271
TOTAL LIABILITIES AND NET POSITION	$ 465,312,002

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

LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURES A AND M BOND FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

OPERATING EXPENSES:	
Depreciation	$ 11,727,696
OPERATING LOSS	(11,727,696)
NON-OPERATING REVENUES (EXPENSES):	
Interest income - noncapital	432,963
Investment loss - noncapital	(18,368)
TOTAL NON-OPERATING REVENUES (EXPENSES)	414,595
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(11,313,101)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES:	
Local property taxes and revenues, capital	20,263,112
Interest income - capital	99,710
Investment loss - capital	(35,142)
Interest expense on capital asset-related debt	(3,904,462)
Debt service costs	(18,129)
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	16,405,089
INCREASE IN NET POSITION	5,091,988
NET POSITION - BEGINNING OF YEAR	68,273,283
NET POSITION - END OF YEAR	$ 73,365,271

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

LOS RIOS COMMUNITY COLLEGE DISTRICT
MEASURES A AND M BOND FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest on noncapital investments	$ 370,328
Net cash provided by noncapital financing activities	370,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt service costs	(18,129)
Local property taxes and other receipts for capital purposes	42,761,174
Interest on capital investments	57,506
Purchases of capital assets	(29,926,766)
Principal paid on capital debt	(8,990,000)
Interest paid on capital debt	(17,282,982)
Net cash used by capital and related financing activities	(13,399,197)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	48,054,079
Purchase of investments	(36,105,298)
Net cash provided by investing activities	11,948,781
NET DECREASE IN CASH AND EQUIVALENTS	(1,080,088)
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	68,016,715
CASH AND EQUIVALENTS -- END OF YEAR	$ 66,936,627
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$ (11,727,696)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation expense	11,727,696
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, five centers, and two satellite locations located throughout the service area (the Primary Institution). These financial statements present only the Measures A and M General Obligation 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 authorization is a facilities and equipment bond measure adopted by the District's Board of Trustees and passed by voters in March 2002. This measure authorizes up to $265,000,000 in bond issues. Through June 30, 2015, bonds totaling $237,500,000 have been issued.

The Measure M bond authorization is a facilities and equipment bond measure adopted by the District's Board of Trustees and passed by voters in November 2008. This measure authorizes up to $475,000,000 in bond issues. Through June 30, 2015, bonds totaling $190,000,000 have been issued.

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 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.

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.

Restricted 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 (County) 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, or 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, 2015, the fair value of the County pool is 100.10% 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.

Cash and investments are externally restricted for contractual obligations, such as debt service payments, sinking or reserve funds, or to purchase or construct capital assets.

Restricted 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.

Capital Assets – Capital assets are recorded at cost on the date of acquisition. 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.

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.

Interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. The interest capitalized for the year ended June 30, 2015 is $10,817,786.

Deferred Outflows/Deferred Inflows of Resources – In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial section, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Measures have one item, deferred amount on refunding, which qualifies for reporting in this category in the balance sheet. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding bond.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*¸ represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Measures do not have items that qualify for reporting in this category.

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 $55,000,000, respectively, are provided by pooled insurance as members of a joint powers authority of California community colleges and school districts.

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.

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

Revisions to the budget are approved by the District's Board of Trustees.

Net Position – The Measure's net position is 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.

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, CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of restricted cash, cash equivalents and investments at June 30, 2015:

	Fair Value
Pooled Investments:	
County Treasury Pooled Investment Fund	$ 66,936,627
U.S. Government Agency Securities:	
Federal Home Loan Bank	12,039,013
Total restricted cash and cash equivalents and investments	$ 78,975,640

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 by Standard & Poor's.

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 holds 15.24% of restricted cash, cash equivalents and investments in the Federal Home Loan Bank.

Interest Rate Risk - Investments

The schedule of maturities at June 30, 2015, is as follows:

	Fair Value	Maturity (in Years) Less than 1
County Treasury Pooled Investment Fund	$ 66,936,627	$ 66,936,627
Federal Home Loan Bank	12,039,013	12,039,013
Totals	$ 78,975,640	$ 78,975,640

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2015
Nondepreciable assets:				
Construction in progress	$ 70,806,911	$ 27,846,502	$ (45,724,534)	$ 52,928,879
Land	208,760	72	-	208,832
Total nondepreciable assets	71,015,671	27,846,574	(45,724,534)	53,137,711
Depreciable assets:				
Buildings and improvements	277,660,901	52,654,108	-	330,315,009
Site improvements	36,343,328	1,620,246	-	37,963,574
Equipment	18,473,665	1,722,965	(1,645,437)	18,551,193
Total depreciable assets	332,477,894	55,997,319	(1,645,437)	386,829,776
Less: accumulated depreciation	(49,394,943)	(11,727,696)	1,645,437	(59,477,202)
Total assets being depreciated	283,082,951	44,269,623	-	327,352,574
Total capital assets - net	$ 354,098,622	$ 72,116,197	$ (45,724,534)	$ 380,490,285

5. LONG-TERM DEBT

The long-term liability activity for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Additions	Payments and Reductions	Balance June 30, 2015	Current Portion
General obligation bonds	$ 370,270,000	$ -	$ (8,990,000)	$ 361,280,000	$ 9,485,000
Bond issuance premiums	23,731,856	-	(3,101,845)	20,630,011	2,827,853
Total	$ 394,001,856	$ -	$ (12,091,845)	$ 381,910,011	$ 12,312,853

The outstanding general obligation bond debt as of June 30, 2015, is as follows:

	Original Issue	Refunding Issuance	Outstanding Balance
Measure A Bonds			
2002 Series A general obligation bonds, due in annual installments of $575,000 to $1,860,000 beginning February 1, 2003, through August 1, 2027, at interest from 3.40% to 6.40%. Subsequently, in October 2010, all the outstanding Series A Bonds totaling $22,000,000 were refunded in substance with the issuance of $21,025,000 of 2010 Refunding Bonds. Called bonds were retired on February 1, 2011.	$ 27,500,000	$ -	$ -
2002 Series B general obligation bonds, due in annual installments of $650,000 to $4,345,000 beginning February 1, 2005, through August 1, 2028, at interest from 2.00% to 5.00%. Subsequently, in October 2011, and March 2012, all but $2,175,000 of the bonds outstanding were refunded in substance with the issuances of the 2011 and 2012 Refunding Bonds.	65,000,000	-	-
2002 Series C general obligation bonds, due in annual installments of $1,680,000 to $4,620,000 beginning February 1, 2007, through August 1, 2030, at interest from 4.25% to 5.25%. Subsequently, in March 2012, all but $6,560,000 of the bonds outstanding were refunded in substance with the issuance of the 2012 Refunding Bonds.	70,000,000	-	-

	Original Issue	Refunding Issuance	Outstanding Balance
2002 Series D general obligation bonds, due in annual installments of $1,235,000 to $3,765,000 beginning February 1, 2010, through August 1, 2034, at interest from 2.00% to 5.375%	55,000,000	-	48,410,000
2002 Series E general obligation bonds, due in annual installments of $500,000 to $1,250,000 beginning August 1, 2014, through August 1, 2038, at an interest rate from 2.00% to 5.00%	20,000,000	-	19,500,000
2010 Refunding Bonds, due in annual installments of $905,000 to $1,730,000 beginning February 1, 2011, through August 1, 2027, at interest from 2.00% to 5.00%	-	21,025,000	17,165,000
2011 Refunding Bonds, due in annual installments of $455,000 to $4,035,000 beginning February 1, 2012, through August 1, 2027, at interest from 2.00% to 5.00%	-	40,195,000	37,435,000
2012 Refunding Bonds, due in annual installments of $75,000 to $8,225,000 beginning February 1, 2012, through August 1, 2030, at interest from 2.00% to 5.25%	-	62,920,000	59,965,000
Total Measure A Bonds	237,500,000	124,140,000	182,475,000
Measure M Bonds			
2008 Series A general obligation bonds, due in annual installments of $320,000 to $13,590,000 beginning February 1, 2011, through August 1, 2035, at interest from 2.00% to 5.00%	130,000,000	-	119,805,000
2008 Series B general obligation bonds, due in annual installments of $1,000,000 to $4,500,000 beginning August 1, 2014, through August 1, 2038, at an interest rate of 2.00% to 5.00%	60,000,000	-	59,000,000
Total Measure M Bonds	190,000,000	-	178,805,000
Total Measure A & M Bonds	$ 427,500,000	$ 124,140,000	$ 361,280,000

The outstanding general obligation bonded debt mature as follows:

Years Ending June 30	Principal	Interest	Total
2016	$ 9,485,000	$ 16,943,407	$ 26,428,407
2017	10,115,000	16,541,407	26,656,407
2018	10,795,000	16,115,531	26,910,531
2019	11,540,000	15,660,456	27,200,456
2020	12,255,000	15,153,456	27,408,456
2021-2025	76,575,000	65,996,168	142,571,168
2026-2030	100,785,000	43,839,207	144,624,207
2031-2035	94,940,000	19,684,186	114,624,186
2036-2039	34,790,000	2,198,875	36,988,875
Total	$ 361,280,000	$ 212,132,693	$ 573,412,693

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 SELF and ASCIP are independently accountable for their fiscal matters and are not components of the District for financial reporting purposes. Condensed financial information is as follows:

	June 30, 2014 SELF	June 30, 2014 ASCIP
Total Position	$ 162,746,000	$ 338,924,559
Total Liabilities	118,853,000	192,528,306
Net Position	$ 43,893,000	$ 146,396,253
Total Revenues	$ 11,812,000	$ 208,452,919
Total Expenses	4,199,000	196,801,424
Net Increase in Net Position	$ 7,613,000	$ 11,651,495

7. CONSTRUCTION COMMITMENTS

As of June 30, 2015, the District had outstanding construction commitments totaling $7,577,572.

OTHER REPORT

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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*

Independent Auditor's Report

Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2015, and related notes to the financial statements, which collectively comprise the Measures' basic financial statements and have issued our report thereon dated November 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measures' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 4, 2015