

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

SACRAMENTO, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2014

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

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Los Rios Community College District's (the District's) Measures A and M General Obligation Bonds for the year ended June 30, 2014.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides reasonable basis for the findings and conclusions based on our audit objectives.

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

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

The results of our tests indicated that, in all significant respects, the Los Rios Community College District expended Measure A and M General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 19, 2014

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

PERFORMANCE AUDIT JUNE 30, 2014

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to Measures A and M General Obligation Bonds (the Measures) which were approved under Proposition 39; determine whether expenditures for fiscal year ended June 30, 2014 charged to the Bond Projects Funds have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2014. Expenditures incurred after the issuance of the bonds and prior to July 1, 2013, were covered in a previous examination. The expenditures included all account and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

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

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

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

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

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PROCEDURES PERFORMED

We obtained the Bond Projects Funds general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2014. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measures A and M General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the Colleges' Facilities Projects Lists.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the bond proceeds and expenditures.
- We verified that the proceeds from the sale of bonds were deposited in an appropriate debt service fund and a capital outlay projects fund.
- We determined that the Committee is fulfilling its duties as required by Education Code 15278 and as outlined in the Citizens' Bond Oversight Committee Bylaws.
- We selected a sample of expenditures in the fiscal year ended June 30, 2014, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenditures of the District.

RESULT OF PROCEDURES PERFORMED

The District utilized Measure A Bond funds for 51 projects. The District incurred net expenditures of \$12,940,392 during the fiscal year ended June 30, 2014, for the Measure A projects listed on the following page.

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

PERFORMANCE AUDIT JUNE 30, 2014

Measure A Projects	Prior Expenditures	June 30, 2014 Expenditures	Total Expenditures	June 30, 2014 Budget	Status
American River College					
Allied health modernization project	\$ 2,383,862	\$ -	\$ 2,383,862	\$ 2,383,862	Completed
Fine arts expansion	5,055,937	-	5,055,937	5,055,937	Completed
Fine arts modernization and expansion	7,558,817	-	7,558,817	7,558,817	Completed
Learning resource center expansion	450,091	-	450,091	450,091	Completed
Library expansion	3,886,287	-	3,886,287	3,886,287	Completed
Natomas center site expansion	8,152,049	-	8,152,049	8,152,049	Completed
Physical education addition, phases 1 and 2	9,265,450	-	9,265,450	9,265,450	Completed
Physical education expansion - swimming pool	2,088,180	-	2,088,180	2,088,180	Completed
Temporary portables and swing space	1,412,016	-	1,412,016	1,412,016	Completed
Transportation access and parking, gym circulation and parking	244,771	-	244,771	244,771	Completed
Life sciences and fine arts modernization	750,859	(28,563)	722,296	723,003	Completed
Cosumnes River College					
Bookstore and cafeteria expansion, phase 1	1,126,541	-	1,126,541	1,126,541	Completed
Bookstore and cafeteria expansion, phase 2 and 3	4,289,707	-	4,289,707	4,289,707	Completed
Community and athletic center, phase 2	1,777,551	-	1,777,551	1,777,551	Completed
Elk Grove center phase 1	12,271,264	1,025,697	13,296,961	13,305,402	Completed
Monument signs	87,251	-	87,251	87,251	Completed
New instructional and library building	6,701,858	-	6,701,858	6,701,858	Completed
Police and printing building modernization	1,886,626	-	1,886,626	1,886,626	Completed
Science instructional laboratory expansion	5,624,263	-	5,624,263	5,624,263	Completed
Science building modernization	4,240,450	-	4,240,450	4,240,450	Completed
Swing space portables	588,570	-	588,570	588,570	Completed
Swing space for cafeteria expansion	184,031	-	184,031	184,031	Completed
Transportation access and parking (TAP)	3,582,729	-	3,582,729	3,582,729	Completed
Northeast building modernization	3,953,367	141,838	4,095,205	4,101,272	Completed
Folsom Lake College					
Bookstore and cafeteria expansion	5,104,907	-	5,104,907	5,104,907	Completed
EI Dorado center new instructional and library space	766,723	-	766,723	766,723	Completed
EI Dorado center parking lot expansion	660,197	-	660,197	660,197	Completed
Visual and performing arts building	28,111,328	-	28,111,328	28,111,328	Completed
Monument signs	84,786	-	84,786	84,786	Completed
New bookstore and cafeteria	6,851,899	-	6,851,899	6,851,899	Completed
New instruction facilities 1C	16,215,173	-	16,215,173	16,215,173	Completed
New physical education building	2,908,936	-	2,908,936	2,908,936	Completed
Rancho Cordova center	3,827,224	879,293	4,706,517	14,999,855	In Progress
Transportation access and parking 1B (TAP)	1,497,595	-	1,497,595	1,497,595	Completed
VAPA marquee sign	250,000	-	250,000	250,000	Completed
Physical education (gymnasium)	1,218,438	10,093,061	11,311,499	15,909,880	In Progress
Sacramento City College					
Cafeteria modernization	1,500,000	-	1,500,000	1,500,000	Completed
Cosmetology and graphics modernization	1,920,286	-	1,920,286	1,920,286	Completed
Davis center	11,686,360	820,555	12,506,915	12,506,915	Completed
Fine arts modernization	2,116,122	-	2,116,122	2,116,122	Completed
Monument signs	88,772	-	88,772	88,772	Completed
North gym modernization	4,224,440	-	4,224,440	4,224,440	Completed
Performing arts center	3,602,444	8,511	3,610,955	3,610,957	Completed
Technology building modernization	2,363,678	-	2,363,678	2,363,678	Completed
Temporary portables and swing space	958,734	-	958,734	958,734	Completed
Transportation access and parking	20,196,678	-	20,196,678	20,196,678	Completed
West Sacramento center and parking lot	11,537,836	-	11,537,836	11,599,004	Completed
District Office					
Board room remodel	705,581	-	705,581	705,581	Completed
Facilities management relocation	5,023,099	-	5,023,099	5,023,099	Completed
Water tower addition	1,096,681	-	1,096,681	1,096,681	Completed
Water tower purchase	464,500	-	464,500	464,500	Completed
Total	<u>\$ 222,544,944</u>	<u>\$ 12,940,392</u>	<u>\$ 235,485,336</u>	<u>\$ 250,453,440</u>	

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The District utilized Measure M Bond funds for 29 projects. The District incurred total expenditures of \$26,489,753 during the fiscal year ended June 30, 2014, for the following Measure M projects:

Measure M Projects	Prior Expenditures	June 30, 2014 Expenditures	Total Expenditures	June 30, 2014 Budget	Status
American River College					
Student center modernization and expansion	\$ 19,741,012	\$ 933,651	\$ 20,674,663	\$ 20,937,189	Completed
Infrastructure projects	589,233	310,449	899,682	1,441,835	In Progress
New parking structure	27,114,291	48,436	27,162,727	27,162,846	Completed
Student Services Addition	138,842	252,617	391,459	3,699,787	In Progress
PE/Athletic Fields Improvements	9,300	77,008	86,308	6,451,053	In Progress
Culinary arts building	629,366	5,963,143	6,592,509	9,452,944	In Progress
Water well replacement	-	14,048	14,048	1,560,106	In Progress
Cosumnes River College					
PE/Athletic/TAP	12,685,630	436,527	13,122,157	13,125,418	Completed
Architecture/Construction instructional building	13,857,971	315,428	14,173,399	14,187,037	Completed
Elk Grove center off-site improvements	1,860,121	1,506,848	3,366,969	3,388,690	Completed
Infrastructure projects	969,777	920	970,697	1,396,193	In Progress
Stadium landscaping	19,899	171,864	191,763	223,209	In Progress
Art gallery space	130,893	1,669,721	1,800,614	2,235,796	In Progress
Hydronic mods & underground loop	-	97,758	97,758	2,307,760	In Progress
Folsom Lake College					
PE/athletic field construction	15,111,487	3,673,012	18,784,499	19,289,541	In Progress
Rancho Cordova center TAP	13,946	829,821	843,767	1,178,913	In Progress
Rancho Cordova center off-site improvements	66,949	315,768	382,717	1,317,703	In Progress
Bookstore/cafeteria expansion	163,098	805,088	968,186	2,244,334	In Progress
Sacramento City College					
Hughes stadium modernization	13,102,279	550	13,102,829	13,109,661	Completed
Infrastructure projects	191,821	1,910	193,731	193,731	In Progress
Transportation access and parking	821,786	404,797	1,226,583	1,227,559	Completed
Student services modernization and expansion	707,139	5,786,504	6,493,643	11,510,076	In Progress
Lusk aero remodel	45,072	553,217	598,289	2,319,537	In Progress
Rodda hall north 3rd floor	-	75,426	75,426	3,438,568	In Progress
District Office					
Infrastructure projects	1,948,723	(197,364)	1,751,359	1,825,408	In Progress
Ethan way economic development facility upgrade	324,871	-	324,871	324,872	Completed
Security improvements phase 1A & 1B	266,573	1,471,521	1,738,094	4,759,799	In Progress
DOC voice over IP conversion	165,869	590,648	756,517	1,036,639	In Progress
Economic development facility	2,671,519	380,257	3,051,776	8,439,238	In Progress
Total	\$ 113,347,467	\$ 26,489,573	\$ 139,837,040	\$ 179,785,442	

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

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

**PERFORMANCE AUDIT
JUNE 30, 2014**

CONCLUSION

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

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.