

LOS RIOS COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LOS RIOS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



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 business-type activities, the aggregate discretely presented component unit (Los Rios Foundation), and the aggregate remaining fund information of Los Rios Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2017, 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 – Change in Accounting Principles

As discussed in Notes 2 and 13 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions 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 the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the Table of Contents, such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of Los Rios Community College District's 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.

Vavrinek, Trine, Day & Co LLP

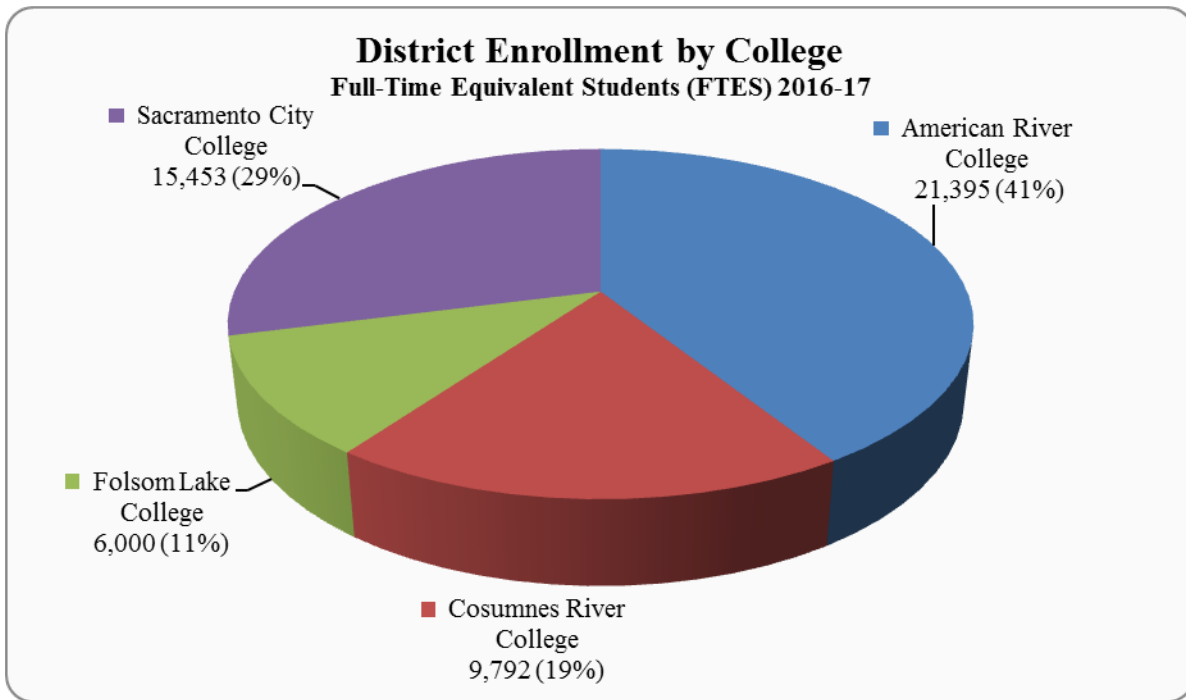
Pleasanton, California
December 6, 2017

**LOS RIOS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

DISTRICT BACKGROUND

The Los Rios Community College District (the District) was formed in 1965 as a result of the consolidation of ten separate K-12 “feeder” districts. At the time of its organization, the District consisted of two colleges: Sacramento City College, founded in 1916, and American River College in 1955. Cosumnes River College was established in 1970 to serve the southern portion of the District and in 2004 Folsom Lake College achieved college status. The District also includes six education centers in Davis, El Dorado, Elk Grove, Natomas, Rancho Cordova, and West Sacramento.

The District, which is the second largest community college district in California and one of the largest in the nation, has enrollment of over 75,000 students during our primary terms. It covers approximately 2,400 square miles, including most of Sacramento County, most of El Dorado and parts of Yolo, Placer and Solano Counties.



LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS (explained)

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the District. The MD&A has been prepared by management and should be read in conjunction with the financial statements. The purpose of the basic financial statements is to summarize the financial status of the District, as a whole, and to present a long term view of the District's finances.

The basic financial statements include four components:

1. *Statement of Net Position* presents the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Changes in total net position are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position.
2. *Statement of Revenues, Expenses, and Changes in Net Position* presents the revenues earned and expenses incurred by the District.
3. *Statement of Cash Flows* presents information about the cash activities of the District during the year.
4. *Notes to the Financial Statements* provide additional information crucial for the review of the financial statements.

The District follows the financial reporting standards established by the Governmental Accounting Standards Board (GASB) Statements No. 34 ("*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*") and 35 ("*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*") using the Business Type Activity (BTA) model. The California Community Colleges Chancellor's Office (CCCCO) has adopted the BTA model as the standard for all colleges to use and these statements are prepared accordingly.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

FINANCIAL HIGHLIGHTS

For 2016-17, the District reported its base service level plus a modest amount of growth by reporting summer 2017 Full-Time Equivalent Students (FTES) in this fiscal year. The District will be in stability for 2017-18. A significant number of districts in the State are facing enrollment challenges due to low unemployment and other external factors. The District continues to focus on increased outreach and retention efforts to stabilize enrollment.

Despite the challenge of enrollment, the District closed the year recognizing \$290.3 million in general purpose revenue entitlement, \$6.9 million higher than 2015-16. This ongoing increase in the entitlement is primarily the result of a base augmentation of \$3.6 million, \$1.2 million for the Rancho Cordova Center, and growth of \$1.5 million.

Funds from Proposition 30, which increased tax revenues by raising the State sales tax and high-income taxpayer's personal tax rates, are deposited into the Education Protection Account (EPA) and then distributed to districts. The EPA accounts for \$41.5 million of the \$290.3 million entitlement.

The State also funds several categorical programs, many of which are intended to provide support services for students and supplemental services for both the general and special student populations. The Student Success and Support Program (SSSP) was funded for \$12.5 million and Student Equity at \$6.2 million. Equity funds are directed at closing the achievement gaps amongst different student demographics.

The District received \$8.4 million in funding to maintain facilities and update instructional equipment and library materials. Of this amount, the District allocated 60% toward facility and IT infrastructure and 40% to instructional equipment needs.

A Mandated Cost Block Grant to compensate districts for certain State mandated activities was funded for the fifth consecutive year, providing the District \$1.5 million. In addition, the District received \$4.8 million in unrestricted revenue for mandated cost claims filed in prior years.

The District continued to improve its facilities in 2016-17. Construction projects continued throughout the District, funded primarily through voter approved bond Measures A and M. Expended to date amounts shown below include expenditures paid from interest earnings.

	Authorized	Issued to Date	Expended to Date
2002 Measure A	\$265.0 million	\$237.5 million	\$250 million
2008 Measure M	\$475.0 million	\$190.0 million	\$180 million

The District did not issue any bonds in 2016-17.

The District closed the year with unrestricted general fund reserves of \$59.7 million, or 16% of expenditures, as well as available reserves in its Capital Outlay Projects fund. The increase in general fund balance is partially due to set-aside of dollars for future CalPERS and CalSTRS increases. The California Community College Chancellor's Office recommends a prudent general fund unrestricted reserve of at least 5% of expenditures.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

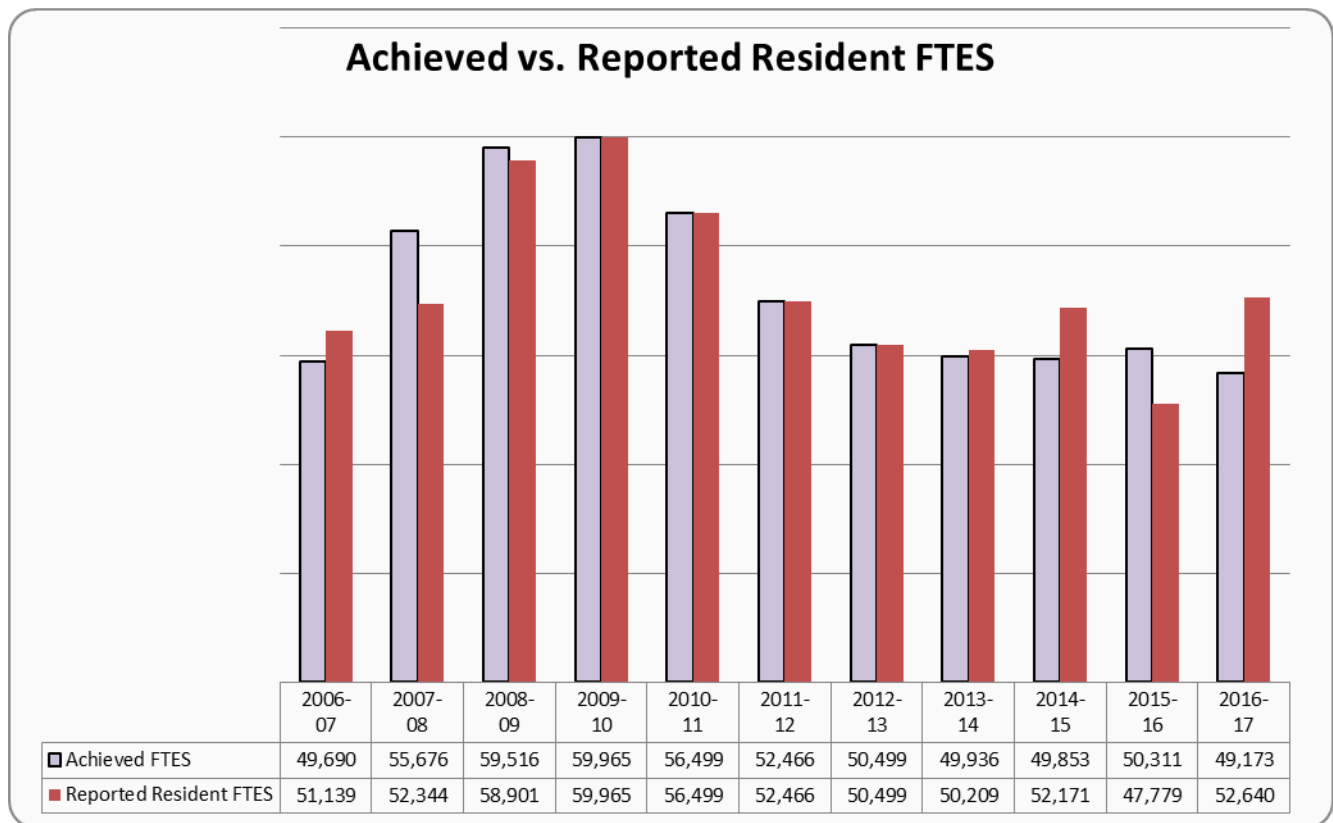
JUNE 30, 2017

ATTENDANCE

The District's achieved attendance in 2016-17 decreased compared to 2015-16 by 2.2%. The District reported some of its summer 2017 FTES in 2016-17 in order to meet its base service level and qualify for available growth funding.

Due to many factors, including an improved job market and a decrease in the number of high school graduates, the demand for classes has not returned to the 2009-10 level. Corresponding to reductions in funding, the District reduced its instructional program, starting in the 2010-11 year through the 2012-13 year. Restoration of sections occurred in 2014-15 and 2015-16.

**Los Rios Community College District
Attendance History – Achieved vs. Reported Resident FTES**



LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

FINANCIAL STATEMENTS SUMMARY

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, implemented in 2014-15, establishes standards for measuring and recognizing unfunded pension liabilities, deferred outflows and inflows of resources, and expense for the State of California's public employee pension systems, CalPERS and CalSTRS. The District's proportionate share of the combined CalPERS and CalSTRS net pension liability was \$323 million, as of the measurement date of June 30, 2016. The implementation of GASB 68 is the reason for the large negative balance in the unrestricted net position shown on statement of net position for 2017 (\$77 million).

To illustrate the impact of GASB 68, the chart below shows the District's Net Position with and without the effect of GASB 68.

	<u>Net Position with GASB 68</u>	<u>Net Position without GASB 68</u>
NET POSITION		
Net investment in capital assets	\$ 328,239,299	\$ 328,239,299
Restricted	41,556,048	41,556,048
Unrestricted	<u>(76,956,775)</u>	<u>246,274,580</u>
TOTAL NET POSITION	<u>\$ 292,838,572</u>	<u>\$ 616,069,927</u>

There is a plan to fully fund the CalSTRS unfunded pension liability. Legislation was enacted to increase employer contribution rates over seven years beginning in 2014-15. The rate will more than double going from 8.25% to 19.10%. The rate increases will remain in effect for at least thirty years, at which time the liability is projected to be fully funded. The employer contribution rate for 2016-17 was 12.58%. Employee contributions increased from the 2014-15 rate of 8.15% to 10.25% for 2016-17.

CalPERS sets its own rates and is addressing its unfunded liability by increasing employer contribution rates over the next several years, nearly doubling the 2014-15 rate of 11.771%. The employer contribution rate for 2016-17 was 13.89%.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

THE PRIMARY GOVERNMENT

Net Position

Table 1

	2017	2016	Change
ASSETS			
Current Assets	\$ 338,492,080	\$ 317,508,428	\$ 20,983,652
Noncurrent Assets			
Other long term assets	9,677,706	3,200,000	6,477,706
Capital Assets (net)	679,148,898	677,499,205	1,649,693
Total Assets	<u>1,027,318,684</u>	<u>998,207,633</u>	<u>29,111,051</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>87,255,079</u>	<u>38,623,705</u>	<u>48,631,374</u>
LIABILITIES			
Current liabilities	113,354,587	93,583,499	19,771,088
Long-Term Obligations	688,346,547	647,238,566	41,107,981
Total Liabilities	<u>801,701,134</u>	<u>740,822,065</u>	<u>60,879,069</u>
DEFERRED INFLOWS OF RESOURCES	<u>20,034,057</u>	<u>25,799,515</u>	<u>(5,765,458)</u>
NET POSITION			
Net investment in capital assets	328,239,299	333,820,672	(5,581,373)
Restricted	41,556,048	40,417,940	1,138,108
Unrestricted	(76,956,775)	(104,028,854)	27,072,079
Total Net Position	<u>\$ 292,838,572</u>	<u>\$ 270,209,758</u>	<u>\$ 22,628,814</u>

Statement of Net Position Highlights

- Current assets increased by \$21 million (7%) over the prior year. This was primarily due to a \$7.4 million increase in accounts receivable, a \$2.6 million increase in prepaid expenses, and funds received but not yet spent for grants and capital outlay projects of \$8.5 million.
- Deferred outflows of resources increased by \$48.6 million primarily due to the District's share of changes in the timing of pension contributions, net pension liability, projections of investment earnings, and expected versus actual pension experience for CalPERS and CalSTRS pension liability, resulting in an increase of \$50.2 million. This was offset by a decrease in deferred outflows from refunding general obligation bonds of \$1.6 million.
- Current liabilities increased by \$19.8 million (21%) which was primarily due to the increase in state agencies advanced categorical funding received but unearned of \$8.5 million, vendor accounts payables increase of \$5 million, and a larger portion of debt principal balance currently due versus prior year of \$4.8 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- Long-term liabilities increased by \$41 million. This was primarily due to an increase in the CalPERS and CalSTRS pension liabilities of \$58 million. This was offset by a decrease in bonds payable of \$19.5 million.
- Deferred inflows of resources decreased by \$6 million, due to the District's share of changes in net pension liability, expected versus actual pension experience, and actuarial assumptions made by CalPERS and CalSTRS.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Table 2

	2017	2016	Change
Operating Revenues			
Net tuition and fees	\$ 28,269,118	\$ 26,876,777	\$ 1,392,341
Auxiliary sales and charges	18,716,617	18,164,461	552,156
Other operating income	3,339,701	3,285,337	54,364
Total Operating Revenues	<u>50,325,436</u>	<u>48,326,575</u>	<u>1,998,861</u>
Operating Expenses	520,942,232	505,891,391	15,050,841
Loss on Operations	<u>(470,616,796)</u>	<u>(457,564,816)</u>	<u>(13,051,980)</u>
Nonoperating Revenues			
State apportionments	193,706,829	202,003,868	(8,297,039)
Property taxes	109,828,399	85,278,309	24,550,090
Grants and contracts	163,470,052	185,319,279	(21,849,227)
Lottery and other revenue	20,376,324	21,421,843	(1,045,519)
Investment income (expense)	(6,006,219)	(3,120,432)	(2,885,787)
Other nonoperating revenues	627,830	241,077	386,753
Total Nonoperating Revenue	<u>482,003,215</u>	<u>491,143,944</u>	<u>(9,140,729)</u>
Other Revenues			
State and local capital income	<u>6,136,801</u>	<u>3,308,781</u>	<u>2,828,020</u>
Net Increase in Net Position	<u>\$ 17,523,220</u>	<u>\$ 36,887,909</u>	<u>\$ (19,364,689)</u>

- State apportionments decreased by \$8.3 million primarily due to a decrease in EPA funds received versus prior year of \$2.6 million, and a shift in ERAF property taxes from Sierra Joint Community College District of \$4.7 million, which correspondingly reduces the State's apportionment to the District.
- Property taxes increased by \$24.6 million, of which \$10.1 million was due to increased assessed values within the counties the District serves, and \$9.8 million was due to increased assessments to cover increasing general obligation bonds debt service payments.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- Grants and contracts decreased by \$21.8 million. In the prior year, the District received a large payout from the State for past outstanding mandate debt, for which the payment in the current year was significantly smaller.
- Investment income (expense) decreased by \$2.9 million. While investment income increased by \$1.8 million due to rising interest rates on invested balances, the amount of interest expense recorded under GASB 62 (Codification of Accounting and Financial Reporting Guidance, including Amount of Interest Cost to be Capitalized) decreased by \$4.7 million.
- State and local capital income increased by \$2.8 million all of which is due to the receipt of State Capital Outlay Project funding which was not available in the prior year.

Table 3

Operating Expenses (by Natural Classification)	<u>2017</u>	<u>2016</u>	<u>Change</u>
Compensation	\$ 238,505,743	\$ 230,222,137	\$ 8,283,606
Employee benefits	51,656,504	55,574,091	(3,917,587)
Pension expense (CALPERS & CalSTRS)	33,393,658	22,491,588	10,902,070
Supplies, materials, other operating expense and services	67,867,769	61,375,491	6,492,278
Student financial aid	99,140,969	106,846,968	(7,705,999)
Depreciation	30,377,589	29,381,116	996,473
Total Operating Expenses	<u>\$ 520,942,232</u>	<u>\$ 505,891,391</u>	<u>\$ 15,050,841</u>

Operating Expense Highlights

- Compensation increased by \$8.3 million (4%) primarily due implementing new categorical programs and by paying one-time retroactive salary schedule improvements.
- Pension expense increased \$11 million (49%). This represents the effect of recording the changes to the net pension liability over and above the prior year.
- Supplies, materials, and other expenses increased \$6.5 million (11%) primarily due to an increase in contracted personal services of \$3.4 million and an increase in insurance premiums of \$1.8 million.
- Student financial aid decrease of \$7.7 million (7%) was primarily due to the decrease in enrollment from 2016 to 2017 and changes in federal financial aid eligibility requirements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Changes in Cash Position

Table 4

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$(432,623,889)	\$(415,874,876)	\$ (16,749,013)
Noncapital financing activities	461,125,750	473,832,624	(12,706,874)
Subtotal operating and noncapital financing	<u>28,501,861</u>	<u>57,957,748</u>	<u>(29,455,887)</u>
Capital financing activities	(21,097,327)	(33,628,639)	12,531,312
Investing activities	<u>17,097,373</u>	<u>5,901,053</u>	<u>11,196,320</u>
Net Increase (Decrease) in Cash	<u>24,501,907</u>	<u>30,230,162</u>	<u>(5,728,255)</u>
Cash, Beginning of Year	<u>281,386,362</u>	<u>251,156,200</u>	<u>30,230,162</u>
Cash, End of Year	<u><u>\$ 305,888,269</u></u>	<u><u>\$ 281,386,362</u></u>	<u><u>\$ 24,501,907</u></u>

Cash Flow Highlights

- Operating and noncapital financing activities represent the resulting cash flow from the day-to-day functions of our educational enterprise. The decrease of \$29.5 million was primarily due to an increase in payments to and on behalf of employees of \$15.1 million and an increase in payments to vendors for supplies and services of \$9.2 million.
- Capital financing activities primarily represent capital expenditures and financing to support those activities. The decrease of \$12.5 million was primarily due to the receipt of State Capital Outlay Project funding, which was not available in the prior year, of \$2.8 million, and to additional property tax receipts to pay principal and interest due on general obligation bonds of \$9.7 million.
- Investing activities increase of \$11.2 million was primarily due to the reclassification of investments shown in the prior fiscal year as noncurrent to current assets, proceeds from sale of an investment held of \$5.9 million, and to interest earnings from rising interest rates on available cash of \$1.8 million.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, construction in progress and collectibles	\$ 38,557,292	\$16,941,567	\$(10,228,143)	\$ 45,270,716
Site improvements	71,731,372	531,081	-	72,262,453
Buildings and improvements	738,600,703	13,464,026	-	752,064,729
Equipment	150,273,284	10,885,769	(119,168)	161,039,885
Library books	5,994,176	438,739	(565,832)	5,867,083
Subtotal	1,005,156,827	42,261,182	(10,913,143)	1,036,504,866
Accumulated depreciation	(327,657,622)	(30,377,589)	679,243	(357,355,968)
	<u>\$ 677,499,205</u>	<u>\$11,883,593</u>	<u>\$(10,233,900)</u>	<u>\$ 679,148,898</u>

- Construction in progress additions were \$16.9 million. Current major uncompleted construction projects include the ARC Liberal Arts Building Modernization and Water Well replacement, the CRC College Center Expansion, and the SCC Mohr Hall Modernization and Davis Center Phase 2 instructional building.
- Construction in progress includes \$4.8 million in capitalized interest expense as required by GASB 62.
- Construction in progress had deletions of \$10.2 million, which consisted of completed site improvements and buildings.
- Completed buildings of \$10.9 million, during the fiscal year, include ARC Physical Education and Athletic Fields (\$6.5 million).

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Obligations

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$375,721,908	\$ -	\$(14,472,016)	\$361,249,892
Certificates of participation	954,968	-	(251,242)	703,726
Aggregate net pension obligation	265,089,010	58,142,345	-	323,231,355
Other liabilities	25,672,694	3,970,480	(1,446,281)	28,196,893
Total Long-Term Debt	<u>\$667,438,580</u>	<u>\$62,112,825</u>	<u>\$(16,169,539)</u>	<u>\$713,381,866</u>
Amount due within one year				<u>\$ 25,036,320</u>

- General obligation bond deletions of \$14.5 million consisted of \$10.9 million in principal payments.
- Aggregate net pension obligation additions of \$58.1 million were for both CalPERS and CalSTRS unfunded pension liability.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The 2017-2018 state budget is the fifth year of prosperous times for California. The adopted budget contains \$125 billion in General Fund expenditures, up \$4 billion from the prior year, and contains \$75 billion in Proposition 98 expenditures, up \$3 billion from the prior year. Based on estimates from the California Legislative Analyst’s Office, the state is likely to see slower than expected job growth, healthy wage growth, and weakness in the stock markets, which they believe results in modest revenue growth over the next two fiscal years. These estimates do not consider what impact federal tax changes, health care changes, changes to trade pacts, or international conflicts would have on state revenues and Proposition 98. As a reminder, the 0.25 percent sales tax increase from Proposition 30 of 2012 was phased out on December 31, 2016; however, this only accounted for less than a quarter of the total revenue increase generated by Proposition 30. The personal income tax increase for high earners was also scheduled to phase out in 2018, which would have been a significant revenue reduction, but voters approved Proposition 55 of 2016 that extended the personal income tax portion until December 31, 2030.

There are several unknown factors that could still negatively affect the 2017-2018 budget including the State's estimate of revenues that would be collected from the previously mentioned tax increase, student enrollment fees collected, and the amount of local property taxes and redevelopment funds flowing to schools and community colleges. These revenue estimates were made in the Spring of 2017 and will not fully materialize until the Winter of 2019. If the estimates are higher than what revenues actually appear, community college districts will not be fully funded for their apportionments. There is currently a \$93.3 million estimated shortfall in the 2017-2018 apportionment funding report for community colleges that would impact the District by \$4.4 million. While apportionment funding shortfalls may diminish throughout the fiscal year as projections of full-time equivalent students served and offsetting revenues are refined, management will continue to closely monitor apportionment reports and attempt to mitigate risk.

LOS RIOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

A significant concern is the increase of the employer contribution rate for CalSTRS and CalPERS as part of the State's adopted funding plans. CalSTRS employer contribution rates will increase from 11.4% in 2013-14 to 27.3% in 2024-25, and CalPERS employer contribution rates are projected to increase from 11.442% in 2013-14 to 19.1% in 2020-21. The increased employer contribution rates will result in an estimated cumulative impact of \$18.3 million for the District from 2013-14 through 2017-18. The projected 2018-19 contributions will be \$12.2 million higher than 2013-14. While the District has been able to set-aside both one-time and ongoing funding for this purpose, sudden or significant declines in state funding levels would be problematic.

Since achieved FTES has declined in recent years, the District is focused on improving its enrollment through targeted outreach and by developing clearer pathways for students to follow. Because the District reported all of its shiftable summer FTES in 2016-17, it will likely report less FTES in 2017-18 and rely on the state's one year hold-harmless provision, which will provide the District with the same level of funding as it received in the prior year. If the District is unable to report its base FTES level for 2018-19, the State will reduce its funding commensurate with the FTES short fall. At the same time, most districts throughout the state are in a similar position, so while we may see a modest decline in FTES, we are likely to see more funding per FTES, which may cancel out any monetary reduction resulting from the FTES decline.

As of June 30, 2017, the District ended the fiscal year with a surplus due to prudent fiscal management as well as a substantial amount of one-time funds from the State's continued upward trend since 2012-13. The general fund reserve is well above the required District Board of Trustees' and Chancellors Office's recommended prudent levels. The budget for 2016-17 did not require any reserves to support base operations, which is also true for 2017-18. The District has made significant investments in its physical and technology resources to refresh and modernize its equipment and facilities. Also, the district has a fully funded other post-employment benefits trust and makes annual contributions to maintain full funding. The only long term debt the District carries are local general obligation bonds, which are backed by a property tax base that has nearly doubled over the past 15 years, and certificates of participation that will be paid off in three years from a steady revenue source.

Based on the information currently available, the District believes it is well positioned financially for the 2017-2018 fiscal year and beyond. We continue to plan thoughtfully for the many challenges ahead and look forward to the opportunity to expand and enhance access and success for our students, while improving our financial position by systematically addressing pension and other liabilities and making investments in human, physical, and technology resources. Through the support of the Board members, staff, students, and community at large, the District, with its enviable reputation and unique place in the community, remains committed to academic excellence and fiscal stability.

Other than the concerns discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Los Rios Community College District, 191 Spanos Court, Sacramento, CA 95825.

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 242,277,843
Restricted cash and cash equivalents	63,610,426
Accounts receivable, net	22,837,393
Due from fiduciary funds	1,215
Prepaid expenses and other assets	7,245,115
Inventories	2,520,088

Total Current Assets

338,492,080

Noncurrent Assets

Other postemployment benefits	9,677,706
Nondepreciable capital assets	45,270,716
Depreciable capital assets, net of depreciation	633,878,182

Total Noncurrent Assets

688,826,604

TOTAL ASSETS

1,027,318,684

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	78,201,585
Deferred charge on refunding	9,053,494

TOTAL DEFERRED OUTFLOWS OF RESOURCES

87,255,079

LIABILITIES

Current Liabilities

Accounts payable	42,790,184
Interest payable	8,012,418
Due to fiduciary funds	4,426
Unearned revenue	37,512,239
Compensated absences payable - current portion	5,610,765
Bonds payable and premium liability - current portion	19,164,313
Certificates of participation - current portion	261,242

Total Current Liabilities

113,355,587

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	11,625,993
Bonds payable and premium liability - noncurrent portion	342,085,579
Certificates of participation payable - noncurrent portion	442,484
Aggregate net pension obligation	323,231,355
Claims liability	10,960,136

Total Noncurrent Liabilities

688,345,547

TOTAL LIABILITIES

801,701,134

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	20,034,057
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NET POSITION

Net investment in capital assets	\$ 328,239,299
Restricted for:	
Debt service	27,201,962
Other activities	14,354,086
Unrestricted	(76,956,775)

TOTAL NET POSITION

\$ 292,838,572

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

Student Tuition and Fees	\$ 66,796,671
Less: Scholarship discount and allowance	(38,527,553)
Net tuition and fees	<u>28,269,118</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	14,107,239
Other enterprise - Harris Center	4,609,378
Other Operating Revenues	<u>3,339,701</u>
TOTAL OPERATING REVENUES	<u>50,325,436</u>

OPERATING EXPENSES

Salaries	238,505,743
Employee benefits	85,050,162
Supplies, materials, and other operating expenses and services	67,867,769
Student financial aid	99,140,969
Depreciation	<u>30,377,589</u>
TOTAL OPERATING EXPENSES	<u>520,942,232</u>
OPERATING LOSS	(470,616,796)

NONOPERATING REVENUES (EXPENSES)

State apportionments and education protection act, noncapital	193,706,829
Local property taxes, levied for general purposes	81,040,324
Taxes levied for other specific purposes - Debt service	28,788,075
Federal grants	95,707,205
State grants	64,447,877
Local grants	3,314,970
Lottery, state taxes and other revenues	20,376,324
Investment income	3,025,602
Interest expense and service charges on capital related debt	(9,031,821)
Other nonoperating revenue - gifts	<u>627,830</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>482,003,215</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

State revenues, capital	<u>6,136,801</u>
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CHANGE IN NET POSITION

NET POSITION, BEGINNING OF YEAR

PRIOR PERIOD RESTATEMENT

NET POSITION, END OF YEAR

17,523,220
268,837,646
<u>6,477,706</u>
<u>\$ 292,838,572</u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 28,691,538
Payments to vendors for supplies and services	(69,911,397)
Payments to or on behalf of employees	(312,026,864)
Payments to students for scholarships and grants	(99,140,969)
Auxiliary enterprise sales and charges	22,056,318
Other operating receipts (payments)	(2,292,515)
Net Cash Flows From Operating Activities	(432,623,889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	191,687,398
Grant and contracts	161,577,007
Property taxes - nondebt related	81,040,324
State taxes and other apportionments	28,176,326
Other nonoperating	(1,355,305)
Net Cash Flows From Noncapital Financing Activities	461,125,750
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(32,267,124)
State revenue, capital projects	6,136,801
Property taxes - related to capital debt	28,788,075
Principal paid on capital debt	(10,890,000)
Interest paid on capital debt	(12,865,079)
Net Cash Flows From Capital Financing Activities	(21,097,327)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	13,959,839
Interest received from investments	3,137,534
Net Cash Flows From Investing Activities	17,097,373
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,501,907
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	281,386,362
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 305,888,269

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$(470,616,796)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation and amortization expense	30,377,589
On behalf payments	7,647,083
Changes in Assets and Liabilities	
Receivables	1,310,447
Inventories	339,566
Prepaid expenses	(2,733,627)
Accounts payable and accrued liabilities	(2,475,103)
Unearned revenue	(1,163,394)
Compensated absences	371,612
Change in deferred outflows	(50,210,740)
Change in deferred inflows	(5,765,458)
Pension obligation	58,142,345
Claims liabilities	2,152,587
Total Adjustments	<u>37,992,907</u>
Net Cash Flows From Operating Activities	<u><u>\$(432,623,889)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 10,379,113
Cash in state cash pool - LAIF	5,812,367
Cash in county treasury	289,696,789
Total Cash and Cash Equivalents	<u><u>\$ 305,888,269</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 7,647,083</u></u>
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The accompanying notes are an integral part of these financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Retiree Benefits Trust	Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,268,757	\$ 462,221
Investments	116,735,660	-	-
Accounts receivable, net	-	5,021	2,200
Due from primary government	-	214	4,212
Prepaid expenses	-	495	-
Total Assets	<u>116,735,660</u>	<u>2,274,487</u>	<u>\$ 468,633</u>
LIABILITIES			
Accounts payable	68,000	6,321	\$ 14,723
Due to primary government	-	508	707
Due to others	-	-	453,203
Total Liabilities	<u>68,000</u>	<u>6,829</u>	<u>\$ 468,633</u>
NET POSITION			
Restricted	116,667,660	-	
Unassigned		2,267,658	
Total Net Position	<u>\$ 116,667,660</u>	<u>\$ 2,267,658</u>	

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree Benefits Trust	Trust
ADDITIONS		
Local revenues	\$ -	\$ 764,340
Fees and other income	-	192,099
Interest and investment income	7,314,524	9,466
Total Additions	<u>7,314,524</u>	<u>965,905</u>
DEDUCTIONS		
Employee benefits	10,244,471	-
Books and supplies	-	4,994
Services and operating expenditures	270,053	64,451
Capital outlay	-	912
Total Deductions	<u>10,514,524</u>	<u>70,357</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	3,200,000	-
Total Other Financing Sources (Uses)	<u>3,200,000</u>	<u>-</u>
Change in Net Position	-	895,548
Net Position - Beginning	116,667,660	1,372,110
Net Position - Ending	<u>\$ 116,667,660</u>	<u>\$ 2,267,658</u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LOS RIOS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 716,536
Accounts receivable	5,787
Pledges receivable	2,600
Total Current Assets	<u>724,923</u>

NONCURRENT ASSETS

Investments	11,966,255
Pledges receivable	48,000
Total Noncurrent Assets	<u>12,014,255</u>
TOTAL ASSETS	<u>12,739,178</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	407,837
TOTAL LIABILITIES	<u>407,837</u>

NET ASSETS

Unrestricted	1,461,760
Temporarily restricted	5,927,550
Permanently restricted	4,942,031
Total Net Assets	<u>12,331,341</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,739,178</u>
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The accompanying notes are an integral part of these financial statements.

LOS RIOS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT

LOS RIOS FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 256,947	\$ 1,403,546	\$ 155,010	\$ 1,815,503
Fundraising and events	90,733	-	-	90,733
Investment earnings	102,696	889,054	27,828	1,019,578
Assets released from restrictions	1,535,976	(1,523,371)	(12,605)	-
In-kind receipts	317,985	-	-	317,985
Total Revenues	<u>2,304,337</u>	<u>769,229</u>	<u>170,233</u>	<u>3,243,799</u>
EXPENSES				
Scholarships	620,808	-	-	620,808
College support	1,315,515	-	-	1,315,515
Grants and sponsorships	80,085	-	-	80,085
Administrative	92,636	-	-	92,636
Fundraising expenses	93,111	-	-	93,111
Total Expenses	<u>2,202,155</u>	<u>-</u>	<u>-</u>	<u>2,202,155</u>
CHANGE IN NET ASSETS	102,182	769,229	170,233	1,041,644
NET ASSETS, BEGINNING OF YEAR	1,359,578	5,158,321	4,771,798	11,289,697
NET ASSETS, END OF YEAR	<u>\$ 1,461,760</u>	<u>\$ 5,927,550</u>	<u>\$ 4,942,031</u>	<u>\$ 12,331,341</u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LOS RIOS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Position	\$ 1,041,644
Adjustments to Reconcile Change in Net Position to Net Cash Used by Operating Activities	
Unrealized gain	461,359
Changes in Assets and Liabilities	
Decrease in accounts receivable	116,892
Increase in accounts payable	7,783
Net Cash Flows From Operating Activities	<u>1,627,678</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	388,308
Purchase of investments	<u>(1,880,247)</u>
Net Cash Flows Used By Investing Activities	<u>(1,491,939)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	135,739
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>580,797</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 716,536</u></u>

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

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - ORGANIZATION

Los Rios Community College District (the District) was established on July 1, 1964 and commenced operations on July 1, 1965 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates four colleges and six campuses located throughout the areas served in the counties of El Dorado, Placer, Sacramento, Solano, and Yolo. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Los Rios Foundation
The Los Rios Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 1919 Spanos Court, Sacramento, CA 95825.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student tuition and fees and auxiliary activities through its bookstores and performing arts center.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017 are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$238,753 for the year ended June 30, 2017.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2017.

Inventories

Inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the first in – first out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$200 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years, portables 15 years, land improvements 10 years, equipment 8 years, library books 5 years, and technology equipment 3 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and certificates of participation, compensated absences, and claims payable obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government wide financial statements report \$41,556,048 of restricted net position. None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The Counties of El Dorado, Placer, Sacramento, Solano, and Yolo bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments on behalf of all community colleges in California. The amount of the on behalf payments made for the District for the year ended June 30, 2017, was \$7,647,083 for CalSTRS. These amounts are reflected in the District's audited financial statements.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Foundation Financial Statement Presentation

The Los Rios Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged. The District has implemented this statement.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the as of June 30, 2017, consist of the following:

	Primary Government	Fiduciary Funds	Foundation	Total (Memo Only)
Cash and cash equivalents	\$ 242,277,843	2,730,978	\$ 716,536	\$ 245,725,357
Restricted cash and cash equivalents	63,610,426	-	-	63,610,426
Total Deposits and Investments	<u>\$ 305,888,269</u>	<u>\$ 2,730,978</u>	<u>\$ 716,536</u>	<u>\$ 309,335,783</u>
Cash on hand and in banks	\$ 4,881,602	\$ 955,704	\$ 716,536	\$ 6,553,842
Cash in revolving	118,800	11,825	-	130,625
Cash awaiting deposit	5,378,711	615	-	5,379,326
Investments - County cash	289,696,789	1,421,203	-	291,117,992
Investments - LAIF	5,812,367	341,631	-	6,153,998
Total Deposits and Investments	<u>\$ 305,888,269</u>	<u>\$ 2,730,978</u>	<u>\$ 716,536</u>	<u>\$ 309,335,783</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Not Applicable	Maturity in Years	
			1-5	>5
County Pool	\$ 291,117,992	\$291,117,992	\$ -	\$ -
State Investment Pool	6,153,998	6,153,998	-	-
Total	<u>\$ 297,271,990</u>	<u>\$297,271,990</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 291,117,992	\$ 291,117,992	\$ -	\$ -	\$ -
State Investment Pool	6,153,998	6,153,998	-	-	-
Total	<u>\$ 297,271,990</u>	<u>\$ 297,271,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, District bank balances of \$11,442,695 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Sacramento County Treasury Investment Pool and Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 291,117,992	\$ -	\$ -	\$ -	\$ 291,117,992
State Investment Pool	6,153,998	-	-	-	6,153,998
Total	<u>\$ 297,271,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,271,990</u>

All assets have been valued using a market approach, with quoted market prices.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Foundation</u>	<u>Total (Memo Only)</u>
Federal Government				
Categorical aid	\$ 2,699,189	\$ -	\$ -	\$ 2,699,189
State Government				
Apportionment	7,554,741	-	-	7,554,741
Categorical aid	4,570,625	-	-	4,570,625
Lottery	2,047,150	-	-	2,047,150
Local Sources				
Interest	1,183,506	7,221	-	1,190,727
Other local sources	5,020,935	-	56,387	5,077,322
Less allowance for uncollectible amounts	(238,753)	-	-	(238,753)
Total	<u>\$ 22,837,393</u>	<u>\$ 7,221</u>	<u>\$ 56,387</u>	<u>\$ 22,901,001</u>

The District calculates the allowance for uncollectible amounts based on 20% of student receivables.

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses or other assets are as follows:

Prepaid risk management expenses	\$ 3,935,155
Other	<u>3,309,960</u>
Total	<u>\$ 7,245,115</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,517,966	\$ -	\$ -	\$ 10,517,966
Construction in progress	26,341,926	16,941,567	(10,228,143)	33,055,350
Collectibles	1,697,400	-	-	1,697,400
Total Capital Assets Not Being Depreciated	<u>38,557,292</u>	<u>16,941,567</u>	<u>(10,228,143)</u>	<u>45,270,716</u>
Capital Assets Being Depreciated				
Site improvements	71,731,372	531,081	-	72,262,453
Buildings and improvements	738,600,703	13,464,026	-	752,064,729
Equipment	150,273,284	10,885,769	(119,168)	161,039,885
Library books	5,994,176	438,739	(565,832)	5,867,083
Total Capital Assets Being Depreciated	<u>966,599,535</u>	<u>25,319,615</u>	<u>(685,000)</u>	<u>991,234,150</u>
Total Capital Assets	<u>1,005,156,827</u>	<u>42,261,182</u>	<u>(10,913,143)</u>	<u>1,036,504,866</u>
Less Accumulated Depreciation				
Site improvements	(46,677,743)	(4,494,582)	-	(51,172,325)
Buildings and improvements	(159,532,631)	(14,865,389)	-	(174,398,020)
Equipment	(116,699,408)	(10,546,413)	113,411	(127,132,410)
Library books	(4,747,840)	(471,205)	565,832	(4,653,213)
Total Accumulated Depreciation	<u>(327,657,622)</u>	<u>(30,377,589)</u>	<u>679,243</u>	<u>(357,355,968)</u>
Net Capital Assets	<u>\$ 677,499,205</u>	<u>\$ 11,883,593</u>	<u>\$ (10,233,900)</u>	<u>\$ 679,148,898</u>

Depreciation expense for the year was \$30,377,589.

Interest expense on capital related debt for the year ended June 30, 2017, was \$11,217,201. Of this amount, \$4,800,212 was capitalized.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds	Foundation	Total (Memo Only)
Accrued payroll	\$ 25,232,076	\$ -	\$ -	\$ 25,232,076
Other	17,558,108	21,044	407,837	17,986,989
Total	<u>\$ 42,790,184</u>	<u>\$ 21,044</u>	<u>\$ 407,837</u>	<u>\$ 43,219,065</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	\$ 100,843
State categorical aid	27,611,395
Enrollment fees	8,542,835
Other local	1,257,166
Total	<u>\$ 37,512,239</u>

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed between the primary government and the fiduciary funds were \$1,215 and \$4,426, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 350,740,000	\$ -	\$ 10,640,000	\$ 340,100,000	\$ 15,720,000
Bond issuance premiums	24,981,908	-	3,832,016	21,149,892	3,444,313
Subtotal	375,721,908	-	14,472,016	361,249,892	19,164,313
Certificates of participation	950,000	-	250,000	700,000	260,000
Certificates of participation issuance premiums	4,968	-	1,242	3,726	1,242
Total Bonds and Notes Payable	<u>376,676,876</u>	<u>-</u>	<u>14,723,258</u>	<u>361,953,618</u>	<u>19,425,555</u>
Other Long Term Liabilities					
Compensated absences	16,865,145	371,613	-	17,236,758	5,610,765
Aggregate net pension obligation	265,089,010	58,142,345	-	323,231,355	-
Claims liabilities	8,807,549	3,598,868	1,446,281	10,960,136	-
Total Other Liabilities	<u>290,761,704</u>	<u>62,112,826</u>	<u>1,446,281</u>	<u>351,428,249</u>	<u>5,610,765</u>
Total Long-Term Obligations	<u>\$ 667,438,580</u>	<u>\$ 62,112,826</u>	<u>\$ 16,169,539</u>	<u>\$ 713,381,867</u>	<u>\$ 25,036,320</u>

Description of Debt

General obligation bonds were approved by local elections in 2002 and 2008. The total amount approved by the voters was \$740,000,000. At June 30, 2017, \$427,500,000 had been issued and \$340,100,000 was outstanding. Interest rates on the bonds are range from 2.00 to 6.40 percent.

The certificates of participation were issued in May 2006 in the amount of \$7,055,000 to fund projects throughout the District. At June 30, 2017, \$700,000 was outstanding. The certificates originally matured through June 1, 2031, however the issuance included a prepayment option, which the District chose to exercise during the fiscal year ended June 30, 2015, which has reduced the payment period. The District's remaining COP payments mature through June 2020. Interest rates on the notes are 3.75 to 4.75 percent.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Description	Issue Date	Maturity Date	Retired Date	Interest Rate	Original Issue	Refunding Issuance	Balance Beginning of Year	Payments	Balance End of Year
Measure A Bonds									
2002 Series A	8/1/2002	8/1/2027	2/1/2011	3.40-6.40%	\$ 27,500,000	\$ -	\$ -	\$ -	\$ -
2002 Series B	8/4/2004	8/1/2028	3/1/2012	2.00-5.00%	65,000,000	-	-	-	-
2002 Series C	7/25/2006	8/1/2030	3/1/2012	4.25-5.25%	70,000,000	-	-	-	-
2002 Series D	8/4/2009	8/1/2034	4/1/2016	2.00-5.375%	55,000,000	-	6,580,000	1,535,000	5,045,000
2002 Series E	6/27/2013	8/1/2038	N/A	2.00-5.00%	20,000,000	-	18,950,000	550,000	18,400,000
2010 Refunding	10/7/2010	8/1/2027	N/A	2.00-5.00%	-	21,025,000	16,170,000	1,035,000	15,135,000
2011 Refunding	10/20/2011	8/1/2027	N/A	2.00-5.00%	-	40,195,000	35,050,000	2,510,000	32,540,000
2012 Refunding	10/20/2011	8/1/2030	N/A	2.00-5.25%	-	62,920,000	57,585,000	2,480,000	55,105,000
2016 Refunding	4/21/2016	8/1/2026	N/A	2.00-5.00%	-	39,315,000	39,315,000	525,000	38,790,000
Total Measure A					<u>237,500,000</u>	<u>163,455,000</u>	<u>173,650,000</u>	<u>8,635,000</u>	<u>165,015,000</u>
Measure B Bonds									
2008 Series A	10/19/2010	8/1/2035	N/A	2.00-5.00%	130,000,000	-	119,090,000	1,005,000	118,085,000
2008 Series B	6/27/2013	8/1/2038	N/A	2.00-5.00%	60,000,000	-	58,000,000	1,000,000	57,000,000
Total Measure B					<u>190,000,000</u>	<u>-</u>	<u>177,090,000</u>	<u>2,005,000</u>	<u>175,085,000</u>
					<u>\$ 427,500,000</u>	<u>\$ 163,455,000</u>	<u>\$ 350,740,000</u>	<u>\$ 10,640,000</u>	<u>\$ 340,100,000</u>

Debt Maturity

General Obligation Bonds

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 15,720,000	\$ 15,703,013	\$ 31,423,013
2019	14,300,000	15,080,438	29,380,438
2020	15,420,000	14,425,313	29,845,313
2021	14,110,000	13,740,676	27,850,676
2022	15,420,000	13,045,688	28,465,688
2023-2027	98,975,000	52,640,313	151,615,313
2028-2032	83,735,000	28,885,231	112,620,231
2033-2037	71,270,000	9,952,963	81,222,963
2038-2039	11,150,000	481,310	11,631,310
Total	<u>\$ 340,100,000</u>	<u>\$ 163,954,945</u>	<u>\$ 504,054,945</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Certificates of Participation

The certificates of participation mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 260,000	\$ 29,222	\$ 289,222
2019	275,000	18,563	293,563
2020	165,000	7,012	172,012
Total	<u>\$ 700,000</u>	<u>\$ 54,797</u>	<u>\$ 754,797</u>

Lease and Joint Use Agreement

In November 2008, The District executed Construction Site and Facilities Lease agreements with McCuen Project Services, Inc. to construct a parking facility at Cosumnes River College. In conjunction with this project, on November 4, 2011, the District executed a Lease and Joint Use Agreement with the Sacramento Regional transit District (RT) to lease the multi-level parking structure to RT. The District and RT have agreed to make joint use of the parking structure and adjacent surface parking. RT's payments are the cost of construction. The term of the lease, which commenced in September 2015, is for 51 years with the option to extend for two consecutive 5-year terms. The parking structure was completed and opened in June 2013.

Other Postemployment Benefits Asset

The District's annual required contribution for the year ended June 30, 2017, was \$3,200,000, and contributions made by the District during the year were \$3,200,000. Interest on the net OPEB asset and adjustments to the annual required contribution were \$160,000 and \$(3,360,000), respectively, which resulted in no change to the net OPEB asset. As of June 30, 2017, the net OPEB asset was \$9,677,706. See Note 13 for additional information regarding the OPEB asset and the postemployment benefits plan.

Compensated Absences

At June 30, 2017, the liability for compensated absences and load banking was \$17,236,758.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$323,231,355. See Note 15 for additional information.

Claims Liabilities

At June 30, 2017, the claims liability amounted to \$10,960,136. See Note 14 for additional information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 – LEASE REVENUE BONDS

The District and the State of California have entered into financing arrangements under which the State provides funds for the construction of certain facilities. The funds are proceeds of lease revenue bonds issued by the State of California, Public Works Board (the Board). The bonds are a special obligation of the Board payable from State General Fund revenues appropriated to the California Community Colleges Board of Governors who therein made adequate provision in the annual budget of the State for the services of such bonds. However, in the unlikely event that the State could not pay the semi-annual installment payment, the District would be responsible for the payments attributable to the District’s facilities. No amounts had been accrued for any contingent payments at June 30, 2017.

These facilities are included in the District’s capital assets on the Balance Sheet. The Board leases the facilities contributed with these bonds to the District. Upon full repayment of the associated bonds, title to the facilities conveys to the District. The following facilities were constructed under the provisions described above:

Facility	Lease Term	Proceeds From State	Funding Year	Minimum Annual Payments
El Dorado Center	1992-2018	\$ 7,381,915	1992-93	\$559,343 to \$571,494
Cosumnes River College Fine Arts Complex	1993-2019	\$ 8,021,000	1993-94	\$792,955 to \$806,781
Sacramento City College Learning Resources Center	1993-2017	\$14,592,000	1993-94	\$863,066 to \$1,428,786
Folsom Lake College Instructional Facilities IB	2005-2030	\$36,841,000	2001-02	\$809,709 to \$2,499,000

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

Plan Description

The Los Rios Community College Retiree Health Benefits Plan (RHBP) established an irrevocable trust (the Trust) that provides for a contribution towards all or a portion of health insurance premiums for eligible members who have retired from service with the District. The RHBP is a single-employer defined benefit health care plan administered by the District. The Trust is administered by the Retiree Health Benefit Oversight Committee appointed by the District

Plan membership: At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,052
Active plan members	2,432
	3,484

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits provided: The Plan provides for a contribution towards all or a portion of health insurance premiums for eligible employees who have retired from the District. During the year ended June 30, 2017, the Plan paid up to \$256 per month for the payment or reimbursement of all or a portion of health insurance premiums of eligible retirees.

Contribution Information

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. The District contributed \$3,200,000 to the Plan, and \$2,617,555 was paid for current premiums (pay as you go amount). Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Investments

Investment policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Trustees (the Board). It is the policy of the Board to pursue investment strategies that reduce risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	30%
Fixed Income	70%
Total	100%

Rate of return: For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense was 6.035 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Total Net OPEB Liability of the District

The components of the total net OPEB liability of the District as of June 30, 2017, were as follows:

Total OPEB liability	\$ 107,057,954
Plan fiduciary net position	116,735,660
District's net OPEB asset	<u>\$ (9,677,706)</u>
Plan fiduciary net position as a percentage of the total OPEB asset	<u>109%</u>

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	5.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.91 percent, average

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees tables for classified employees. The actuarial assumptions used in the June 2017 valuation were based on the results of an actuarial experience study as of June 1 2017.

The long term expected rate of return on OPEB plan investments was determined using a building block method, in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of the Plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	9.24%
Fixed Income	2.88%

Discount rate: The discount rate used to measure the total OPEB liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contributions rates. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discounts and healthcare cost rend rates: The OPEB liability is based on the actuary report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from those estimates and assumptions.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Estimated losses and changes in prior year reserve balances are expensed in the current period.

Property and Liability

The District is self-insured for property damage and liability on the first \$100,000 and \$250,000 of each claim, respectively. Coverage in excess of self-insurance limits for property damage and liability up to \$600,000,000 and \$55,000,000, respectively, are provided by pooled insurance as members of two joint powers authorities of California community colleges and school districts.

<u>Type of Coverage</u>	<u>District Deductible</u>	<u>JPA Coverage</u>	<u>Excess Insurance</u>
Property	\$100,000	ASCIP \$100,001 to \$1,000,000	ASCIP \$1,000,001 to \$600,000,000
Liability	\$250,000	ASCIP \$250,001 to \$5,000,000	SELF \$5,000,001 to \$55,000,000

Workers' Compensation

The District is self-insured for workers' compensation claims on the first \$500,000 of each claim. Coverage in excess of self-insurance limits for workers' compensation is purchased through an insurance broker.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2017, the District participated 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 education 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.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District is also 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 thereto. The District only participates in the JPA property and liability programs. Should property claims exceed amounts funded by 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.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	<u>Workers'</u> <u>Compensation</u>
Liability Balance, July 1, 2015	\$ 8,704,178
Claims and changes in estimates	1,419,553
Claims payments	<u>(1,316,182)</u>
Liability Balance, June 30, 2016	8,807,549
Claims and changes in estimates	3,598,868
Claims payments	<u>(1,446,281)</u>
Liability Balance, June 30, 2017	<u>\$ 10,960,136</u>
Assets Available to Pay Claims at June 30, 2017	<u><u>10,978,905</u></u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 203,170,928	\$ 43,656,345	\$ 2,601,149	\$ 21,088,861
CalPERS	120,060,427	34,545,240	17,432,908	10,684,841
Total	<u>\$ 323,231,355</u>	<u>\$ 78,201,585</u>	<u>\$ 20,034,057</u>	<u>\$ 31,773,702</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$16,500,606.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 203,170,928
State's proportionate share of net pension liability associated with the District	<u>115,661,585</u>
Total	<u><u>\$ 318,832,513</u></u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.2512 percent and 0.254 percent, respectively, resulting a decrease of 0.0028 percent in the proportionate share.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$21,088,861. In addition, the District recognized pension expense and revenue of \$7,647,083 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 16,500,606	\$ -
Net change in proportionate share of net pension liability	11,003,749	-
Differences between projected and actual earnings on pension plan investments	16,151,990	-
Differences between expected and actual experience in the measurement of the total pension liability	-	2,601,149
Total	<u>\$ 43,656,345</u>	<u>\$ 2,601,149</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 352,383
2019	352,384
2020	9,389,208
2021	6,058,015
Total	<u>\$ 16,151,990</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,349,659
2019	1,349,659
2020	1,349,659
2021	1,349,658
2022	1,349,661
Thereafter	1,654,304
Total	<u>\$ 8,402,600</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return	9%	2.90%
Inflation sensitive	4%	3.80%
Cash / liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 292,408,786
Current discount rate (7.60%)	\$ 203,170,928
1% increase (8.60%)	\$ 129,055,150

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2015. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$10,751,974.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$120,060,427. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.6079 percent and 0.6383 percent, respectively, resulting in a net decrease in the proportionate share of .0304 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$10,684,841. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,751,974	\$ -
Net change in proportionate share of net pension liability	-	13,825,807
Difference between projected and actual earnings on pension plan investments	18,629,518	-
Differences between expected and actual experience in the measurement of the total pension liability	5,163,748	-
Changes of assumptions	-	3,607,101
Total	<u>\$ 34,545,240</u>	<u>\$ 17,432,908</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	Deferred Outflows/(Inflows) of Resources
2018	\$ 2,613,037
2019	2,613,037
2020	8,541,305
2021	4,862,139
Total	<u>\$ 18,629,518</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	Deferred Outflows/(Inflows) of Resources
2018	\$ (4,276,466)
2019	(4,263,207)
2020	(3,729,487)
Total	<u>\$ (12,269,160)</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global fixed income	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 179,130,825
Current discount rate (7.65%)	\$ 120,060,427
1% increase (8.65%)	\$ 70,872,696

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2017, 2016, and 2015, which amounted to \$7,647,083, \$9,183,320, and \$8,488,371, respectively, (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2017, 2016, and 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Tax Deferred Compensation

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to the Public Agency Retirement Services (PARS) system.

The District offers its employees a Public Agency Retirement System (PARS) administered 457 Deferred Compensation Program (the Program). The Plan participants are individuals employed in certain classified assignments who have worked for the District on or after July 1, 2008, provided that they are not covered by any other retirement program such as CalPERS or CalSTRS through District employment. The Plan requires a contribution of at least 7.5% of wages. The Contribution is split evenly with the employees contributing 3.75% and the District contributing 3.75%. The plan results in savings for both employees and the District. The District's contribution to the Plan for the fiscal year ended June 30, 2017 was \$312,392. Accounts are established in the name of each participant. Contributions are allocated directly to employee accounts. Participant account balances are fully vested and non-forfeitable. Participant account balances will be paid in a single distribution or direct rollover to another eligible retirement plan designed by the participant upon retirement or other termination. PARS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PARS annual financial report may be obtained from PARS, 5141 California Avenue, Suite 150, Irvine, California 92617-3069.

The District also contributes to the Los Rios Community College District 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) and the Schools Excess Liability Fund (SELF) the Joint Powers Authority JPAs for property and liability coverage. The District is also a member of the Northern California Regional Public Safety Training Authority (NCRPSTA). NCRPSTA is a JPA formed to implement the most efficient and effective public safety training programs for member agencies.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2017, the District made payments of \$177,061, \$997,023, and \$112,863 to SELF, ASCIP, and NCRPSTA, respectively.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 197,597
2019	206,601
2020	199,194
Total	<u>\$ 603,392</u>

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment
Bond Funds	\$ 8,392,955
Capital Outlay Funds	5,942,338
	<u>\$ 14,335,293</u>

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 19 – FUNCTIONAL EXPENSES

The District's operating expenses by functional expense classification for the fiscal year ended June 30, 2017 were:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Financial Aid	Depreciation	Total
Academic support	\$ 25,327,777	\$ 9,358,292	\$ 1,971,956	\$ -	\$ -	\$ 36,658,025
Ancillary services & auxiliary operations	3,567,936	1,048,067	10,056,725	-	163,567	14,836,295
Community services & economic develop.	869,672	252,599	657,505	-	-	1,779,776
Instructional activities	122,429,160	41,218,338	13,727,999	-	-	177,375,497
Instructional support services	31,149,876	13,066,723	22,051,302	-	-	66,267,901
Physical property and related acquisitions	77,687	40,361	-	-	-	118,048
Plant operations and maintenance	12,216,851	5,965,433	14,009,471	-	-	32,191,755
Student aid	486,135	4,195	140,426	99,140,969	-	99,771,725
Student services	42,380,649	14,096,154	5,252,385	-	-	61,729,188
Unallocated depreciation	-	-	-	-	30,214,022	30,214,022
Totals	<u>\$238,505,743</u>	<u>\$85,050,162</u>	<u>\$ 67,867,769</u>	<u>\$99,140,969</u>	<u>\$30,377,589</u>	<u>\$520,942,232</u>

NOTE 19 - RESTATEMENT

The District adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other than Pension Plans and GASB Statement No 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. The implementation of these standards required a change in accounting principles to restate the beginning Net Position on the Statement of Revenues, Expenditures and Statement of Net Position by \$6,477,706.

REQUIRED SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB (ASSET) LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Total OPEB Asset	
Service cost	\$ 3,977,329
Interest	(23,961)
Differences between expected and actual experience	6,193,244
Benefit payments	<u>(10,146,612)</u>
Net changes in total OPEB asset	-
Total OPEB Asset - beginning	<u>107,057,954</u>
Total OPEB Asset - ending (a)	<u>107,057,954</u>
Plan fiduciary net position	
Contributions - employer	3,200,000
Net investment income	7,314,524
Benefit payments	(10,244,471)
Administrative expense	<u>(270,053)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>116,735,660</u>
Plan fiduciary net position - ending (b)	<u>116,735,660</u>
District's net OPEB (asset) - ending (a) - (b)	<u>\$ (9,677,706)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>109.04%</u>
Covered-employee payroll	<u>\$ 194,571,451</u>
District's net OPEB asset as a percentage of covered-employee payroll	<u>4.97%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 3,200,000
Contributions in relation to the actuarially determined contribution	(3,200,000)
Contribution deficiency (excess)	-
Covered-employee payroll	<u>\$ 194,571,451</u>
Contribution as a percentage of covered-employee payroll	<u>1.64%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017**

Annual moneyweighted rate of return, net of investment expense	<u>2017</u> 6.035%
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Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
July 1, 2013	\$ 86,190,930	\$ 79,210,387	\$ (6,980,543)	109%	\$ 159,864,885	-4.37%
June 1, 2015	\$ 105,171,076	\$ 77,820,930	\$ (27,350,146)	135%	\$ 160,465,891	-17.04%
June 1, 2017	\$ 115,973,662	\$ 107,057,954	\$ (8,915,708)	108%	\$ 194,571,451	-4.58%

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 <u>Measurement date 2016</u>	2016 <u>Measurement date 2015</u>	2015 <u>Measurement date 2014</u>
CalSTRS			
District's proportion of the net pension liability (asset)	0.2512%	0.2540%	0.2540%
District's proportionate share of the net pension liability (asset)	\$ 203,170,928	\$ 171,002,960	\$ 148,429,980
State's proportionate share of the net pension liability (asset) associated with the District	115,661,585	90,496,390	89,605,779
Total	<u>\$ 318,832,513</u>	<u>\$ 261,499,350</u>	<u>\$ 238,035,759</u>
District's covered - employee payroll	<u>\$ 128,872,601</u>	<u>\$ 119,125,206</u>	<u>\$ 111,268,958</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>158%</u>	<u>144%</u>	<u>133%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability (asset)	<u>0.6079%</u>	<u>0.6383%</u>	<u>0.6295%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 120,060,427</u>	<u>\$ 94,086,050</u>	<u>\$ 71,463,577</u>
District's covered - employee payroll	<u>\$ 76,206,257</u>	<u>\$ 71,316,255</u>	<u>\$ 68,255,629</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>158%</u>	<u>132%</u>	<u>105%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 16,500,606	\$ 12,979,900	\$ 10,573,510
Contributions in relation to the contractually required contribution	(16,500,606)	(12,979,900)	(10,573,510)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 129,143,886</u>	<u>\$ 128,872,601</u>	<u>\$ 119,125,206</u>
Contributions as a percentage of covered - employee payroll	<u>-12.78%</u>	<u>-10.1%</u>	<u>-8.9%</u>
CalPERS			
Contractually required contribution	\$ 10,751,974	\$ 8,635,679	\$ 8,404,663
Contributions in relation to the contractually required contribution	(10,751,974)	(8,635,679)	(8,404,663)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 77,419,169</u>	<u>\$ 76,206,257</u>	<u>\$ 71,316,255</u>
Contributions as a percentage of covered - employee payroll	<u>-13.9%</u>	<u>-11.3%</u>	<u>-11.8%</u>

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: June 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	1 year
Asset Valuation method	Market value of assets
Inflation	2.75 percent
Health care cost trend rates	7.91 percent, average
Salary increases	3.25 percent
Investment rate of return	5.0 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Plan Classified, hired before January 1, 2013: 2009 CalPERS Retirement Rates for School Employees Classified, hired after December 31, 2012: 2009 CalPERS 2 percent at 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Mortality	Certificated: 2011 CalSTRS Mortality Classified: 2014 CalPERS Mortality for Miscellaneous Employees

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

Los Rios Community College District was established on July 1, 1964 and commenced operations on July 1, 1965 and is comprised of an area of approximately located in the areas served in El Dorado, Placer, Sacramento, Solano, and Yolo Counties. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ruth Scribner	President	2020
Pamela Haynes	Vice President	2020
Dustin Johnson	Member	2018
Robert Jones	Member	2018
John Knight	Member	2020
Deborah Ortiz	Member	2018
Tami Nelson	Member	2020
Even Nguyen	Student Trustee	2018

DISTRICT ADMINISTRATION

Dr. Brian King	Chancellor
Theresa Matista	Vice Chancellor, Finance and Administration
Sue Lorimer	Deputy Chancellor, Education and Technology

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department Of Education			
<i>Student Financial Aid Cluster</i>			
Pell Grant	84.063	N/A	\$ 65,466,255
Federal Direct Loans	84.268	N/A	20,243,440
Supplemental Education Opportunity Grants	84.007	N/A	1,928,714
College Work Study	84.033	N/A	1,867,954
IRAQ Afghan Service Grant	84.408	N/A	2,342
<i>Total Financial Aid Cluster</i>			<u>89,508,705</u>
<i>TRIO Cluster</i>			
TRIO Student Support Services	84.042A	P042A150960	239,496
TRIO STEM Student Support Services	84.042A	P042A150995	240,438
TRIO Veterans Student Support Services	84.042A	P042A150982	271,529
TRIO Natomas Talent Search Program	84.044A	P044A160790	18,224
TRIO San Juan Unified School District Talent Search Program	84.044A	P044A160784	19,641
TRIO Twin Rivers Talent Search Program	84.044A	P044A160782	15,717
<i>Total TRIO Cluster</i>			<u>805,045</u>
Strengthening Institutions Programs	84.031A	P031A160135	68,364
Hispanic-Serving Institutions Program - STEM & Articulation Programs	84.031C	P031C160230	74,216
Hispanic-Serving Institutions Program	84.031S	P031S150200	289,166
Asian American & Native American Pacific Islander Serving Institutions	84.382B	P382B160051	61,578
<i>Passed Through California Department of Education</i>			
Perkins Title 1, Part C	84.048	15-C01-028	2,651,218
Perkins CTE Transitions	84.048	16-112-230	168,041
<i>Passed Through Butte Community College</i>			
Perkins Title 1, Part B	84.048	POB0021936	1,500
Perkins Title 1, Part B	84.048	POB0021937	1,500
<i>Total Perkins</i>			<u>2,822,259</u>
<i>Passed Through Department of Rehabilitation</i>			
Workability III	84.126A	28,835.000	135,368
College to Career	84.126A	29,343.000	250,000
<i>Total Workability</i>			<u>385,368</u>
<i>Passed Through University Enterprises, Inc.</i>			
California Mathematics Readiness Challenge Initiative	84.367B	S367B160005	6,171
Total U.S. Department of Education			<u>94,020,872</u>

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Ctrs for Medicare & Medicaid Svs School-Based Medi-Cal Admin Activities	93.xxx	N/A	7,043
477 Cluster			
<i>Passed Through San Francisco Community College</i>			
California Early Childhood Mentor Program	93.575	CN150142	12,550
<i>Passed Through Yosemite Community College:</i>			
Child Care Access	93.575	15-16-7694	29,713
Child Care Access	93.575	15-16-4821	9,900
Child Care Access	93.575	15-16-601403	7,900
Child Care Access	93.575	15-16-4114	20,400
<i>Total 477 Cluster - Child Care Access</i>			<u>80,463</u>
<i>Passed Through Foundation for California Community Colleges:</i>			
Independent Living Program	93.674	NA	22,500
<i>Passed Through California Community College Chancellor's Office:</i>			
Vocational and Applied Technology Education Act - Title IVE - Foster Care	93.658	NA	163,331
TANF Cluster			
Temporary Assistance to Needy Families	93.558	DHA-CW-232-16	398,065
Total U.S. Department of Health and Human Services			<u>671,402</u>
U.S. Department Of Agriculture			
Climate Smart Agricultural Delegation	10.170	SC15067A	30,350
<i>Passed Through California Department of Education:</i>			
Child Care Food Program	10.558	1502-3A	87,177
Total U.S. Department of Agriculture			<u>117,527</u>
U.S. Department Of Labor Employment and Training Administration			
Rural Business Enterprise Grant	17.268	AP-27832-15-60-A-6	309,482
WIAO Cluster			
<i>Passed Through Sacramento Employment & Training Agency</i>			
State Trade Export Promotion	17.275 & 17.258	098216UTL(2)	62,855
Total U.S. Department Of Labor Employment and Training Administration			<u>372,337</u>
U.S. Small Business Administration			
<i>Passed Through California Community Colleges Chancellor's Office</i>			
State Trade Export Promotion	59.061	F15-00073	227,914
Total U.S. Small Business Administration			<u>227,914</u>
U.S. Department Of Social Services			
Passed Through Foundation for Community Colleges			
Fresh Success Employment & Training Activities	unknown	SV-017-16	26,629
Total U.S. Department of Social Services			<u>26,629</u>
Other			
Department of Veterans Affairs	64.125	N/A	12,288
Americorp	94.006	N/A	238,576
<i>Open World Leadership Center</i>			
Family Health International	unknown	OWLC-1401	6,623
Total Other			<u>257,487</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 95,694,168</u>

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
Extended Opportunity Program & Services	\$ 4,340,432	\$ 7,201	\$ 4,347,633	\$ 4,347,633	\$ -	\$ -	\$ 4,347,633	\$ 4,347,633
Cooperative Agency Resource Education	732,127	-	732,127	732,127	-	70	732,057	732,057
Disabled Students Program & Services	4,880,881	133,625	5,014,506	4,986,077	-	122,216	4,863,861	4,863,861
Board financial assistance	2,866,189	-	2,866,189	2,886,189	-	25,000	2,861,189	2,861,189
Economic development	3,741,158	947,142	4,688,300	3,314,765	721,657	2,169,681	1,866,741	1,866,741
Career Technical Education	1,129,650	807,377	1,937,027	792,921	881,777	325,989	1,348,709	1,348,709
Equal employment opportunity	60,000	1,606	61,606	61,606	-	15,217	46,389	46,389
Strong Workforce Program	7,408,022	-	7,408,022	5,158,231	84,707	3,872,687	1,370,251	1,370,250
Student Success and Support Program (SSSP)	12,510,176	5,510,337	18,020,513	17,927,059	-	5,755,616	12,171,443	12,171,443
Student Equity	6,174,281	3,384,076	9,558,357	9,498,887	-	794,490	8,704,397	8,704,397
Calworks	2,334,074	1,868	2,335,942	2,297,540	29,439	228	2,326,751	2,326,751
State Instructional Materials Grant	3,362,334	1,774,825	5,137,159	5,137,148	-	2,548,921	2,588,227	2,588,228
AB86 Adult Education	19,000	-	19,000	4,127	4,500	-	8,627	8,627
Subtotal	<u>49,558,324</u>	<u>12,568,057</u>	<u>62,126,381</u>	<u>57,144,310</u>	<u>1,722,080</u>	<u>15,630,115</u>	<u>43,236,275</u>	<u>43,236,275</u>
CATEGORICAL PROGRAM ALLOWANCES								
Cal Grant	6,747,900	439,785	7,187,685	8,003,957	2,288	567,291	7,438,954	7,438,954
CDF Tax Bailout	189,175	-	189,175	2,914	-	-	2,914	2,914
CDC Food Program	6,000	-	6,000	2,123	3,298	-	5,421	5,421
CDC California Child Care	1,130,037	-	1,130,037	1,072,408	-	-	1,072,408	1,072,408
Capital Outlay Projects	6,586,149	13,765,540	20,351,689	13,657,846	2,035,661	9,552,691	6,140,816	6,140,816
Foster Care Program	176,234	612	176,846	16,523	159,762	-	176,285	176,285
First Five Sacramento Commission-Lactation	-	6,644	6,644	3,322	-	-	3,322	3,322
Other	5,421,703	2,410,283	7,831,986	4,327,002	647,176	1,861,298	3,112,880	3,112,880
Subtotal	<u>20,257,198</u>	<u>16,622,864</u>	<u>36,880,062</u>	<u>27,086,095</u>	<u>2,848,185</u>	<u>11,981,280</u>	<u>17,953,000</u>	<u>17,953,000</u>
Total State Programs	<u>\$69,815,522</u>	<u>\$29,190,921</u>	<u>\$99,006,443</u>	<u>\$ 84,230,405</u>	<u>\$ 4,570,265</u>	<u>\$27,611,395</u>	<u>\$ 61,189,275</u>	<u>\$ 61,189,275</u>

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	7.41	-	7.41
2. Credit	3,871.63	-	3,871.63
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	-	-	-
2. Credit	3,795.38	-	3,795.38
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	32,850.52	-	32,850.52
(b) Daily Census Contact Hours	1,717.77	-	1,717.77
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	230.26	-	230.26
(b) Credit	2,465.58	-	2,465.58
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	5,754.05	-	5,754.05
(b) Daily Census Contact Hours	1,947.16	-	1,947.16
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>52,639.76</u>	<u>-</u>	<u>52,639.76</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,475.47	-	1,475.47
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	-	-	-
2. Credit	3,707.07	-	3,707.07
CCFS-320 Addendum			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Noncredit**	5.74	-	5.74
2. Credit	3,954.49	-	3,954.49

* Annual report revised as of November 1, 2017.

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 71,485,083	\$ -	\$ 71,485,083	\$ 71,485,083	\$ -	\$ 71,485,083
Other	1300	37,444,085	-	37,444,085	37,444,085	-	37,444,085
Total Instructional Salaries		108,929,168	-	108,929,168	108,929,168	-	108,929,168
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	27,105,198	-	27,105,198
Other	1400	-	-	-	1,956,502	-	1,956,502
Total Noninstructional Salaries		-	-	-	29,061,700	-	29,061,700
Total Academic Salaries		108,929,168	-	108,929,168	137,990,868	-	137,990,868
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	50,304,980	-	50,304,980
Other	2300	-	-	-	4,625,912	-	4,625,912
Total Noninstructional Salaries		-	-	-	54,930,892	-	54,930,892
Instructional Aides							
Regular Status	2200	5,818,439	-	5,818,439	5,818,439	-	5,818,439
Other	2400	904,537	-	904,537	904,537	-	904,537
Total Instructional Aides		6,722,976	-	6,722,976	6,722,976	-	6,722,976
Total Classified Salaries		6,722,976	-	6,722,976	61,653,868	-	61,653,868
Employee Benefits	3000	40,729,744	-	40,729,744	75,178,443	-	75,178,443
Supplies and Material	4000	-	-	-	3,736,437	-	3,736,437
Other Operating Expenses	5000	5,398,716	-	5,398,716	30,289,672	-	30,289,672
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		161,780,604	-	161,780,604	308,849,288	-	308,849,288

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	709,392	-	709,392
Lottery Expenditures							-
Academic Salaries	1000	2,024,157	-	2,024,157	2,564,191	-	2,564,191
Classified Salaries	2000	109,295	-	109,295	1,050,029	-	1,050,029
Employee Benefits	3000	376,492	-	376,492	637,804	-	637,804
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,509,944	-	2,509,944	4,961,416	-	4,961,416
Total for ECS 84362, 50 Percent Law		\$ 159,270,660	\$ -	\$ 159,270,660	\$ 303,887,872	\$ -	\$ 303,887,872
Percent of CEE (Instructional Salary Cost/Total CEE)		52.41%		52.41%	100.00%		100.00%
50% of Current Expense of Education					\$ 151,943,936		\$ 151,943,936

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630				\$ 41,490,318
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 41,490,318			\$ 41,490,318
Total Expenditures for EPA		\$ 41,490,318	-	-	\$ 41,490,318
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the Statement of Net Position - Primary Government.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position:		\$ 95,707,205
Child Care Food Program	10.558	(13,037)
Total Expenditures of Federal Awards		<u>\$ 95,694,168</u>

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Los Rios Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2017.

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 opinions 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 District'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 6, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Los Rios Community College District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Los Rios Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 6, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Los Rios Community College District
Sacramento, California

Report on State Compliance

We have audited Los Rios Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no To Be Arranged (TBA) Hours for Funding; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 6, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.268, 84.007, <u>84.033, 84.408</u>	<u>Student Financial Aid Cluster</u>
<u>84.042, 84.044</u>	<u>Trio Cluster</u>
<u>84.048</u>	<u>Perkins</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,870,825</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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LOS RIOS COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

UNAUDITED SUPPLEMENTARY INFORMATION

LOS RIOS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEETS JUNE 30, 2017

	General	Debt Service	Child Development	Capital Projects	Enterprise	Internal Service	Financial Aid	Governmental Fund Total (Memorandum Only)	Conversion Entries	Full Accrual Total
ASSETS										
Cash and cash equivalents	\$ 104,664,544	\$ 51,242,667	\$ 525,745	\$ 130,437,011	\$ 8,177,084	\$ 8,795,553	\$ 2,045,665	\$ 305,888,269	\$ -	\$ 305,888,269
Accounts receivable, net	14,883,003	180,001	23,177	3,001,403	1,567,618	50,177	525,804	20,231,183	2,606,210	22,837,393
Due from other funds	6,946,779	525,807	566,857	887,220	-	1,943,096	289,513	11,159,272	(11,158,057)	1,215
Prepaid expenses and other assets	5,025,073	-	-	1,062,681	96,851	1,060,510	-	7,245,115	-	7,245,115
Inventories	-	-	-	-	2,520,088	-	-	2,520,088	-	2,520,088
Net OPEB assets	-	-	-	-	-	-	-	-	9,677,706	9,677,706
Capital assets	-	-	-	-	717,426	-	-	717,426	678,431,472	679,148,898
Total Assets	131,519,399	51,948,475	1,115,779	135,388,315	13,079,067	11,849,336	2,860,982	347,761,353	679,557,331	1,027,318,684
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows related to pensions	-	-	-	-	-	-	-	-	78,201,585	78,201,585
Deferred outflows related to bond refunding	-	-	-	-	-	-	-	-	9,053,494	9,053,494
Total Deferred Outflows	-	-	-	-	-	-	-	-	87,255,079	87,255,079
Total Assets and Deferred Outflows	\$ 131,519,399	\$ 51,948,475	\$ 1,115,779	\$ 135,388,315	\$ 13,079,067	\$ 11,849,336	\$ 2,860,982	\$ 347,761,353	\$ 766,812,410	\$ 1,114,573,763
LIABILITIES										
Accounts payable	\$ 35,368,807	\$ 1,250	\$ 157,397	\$ 3,033,413	\$ 911,317	\$ 402,101	\$ 28,073	\$ 39,902,358	2,887,826	\$ 42,790,184
Accrued interest	-	8,008,706	-	-	-	-	3,712	8,012,418	-	8,012,418
Due to other funds	3,821,552	237,385	637,396	3,073,962	1,044,411	468,330	2,161,063	11,444,099	(11,439,673)	4,426
Unearned revenue	26,658,317	-	-	9,552,691	633,097	-	668,134	37,512,239	-	37,512,239
Compensated absences	416,190	16,499,172	88,970	-	213,657	18,769	-	17,236,758	-	17,236,758
Claims liability	-	-	-	-	-	10,960,136	-	10,960,136	-	10,960,136
Long term debt	-	-	-	-	-	-	-	-	361,953,618	361,953,618
Net pension liability	-	-	-	-	-	-	-	-	323,231,355	323,231,355
Total Liabilities	66,264,866	24,746,513	883,763	15,660,066	2,802,482	11,849,336	2,860,982	125,068,008	676,633,126	801,701,134
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows of resources related to pensions	-	-	-	-	-	-	-	-	20,034,057	20,034,057
Fund Balances										
Nonspendable	5,142,573	-	-	1,062,681	3,334,365	-	-	9,539,619	325,944,795	335,484,414
Restricted	4,676,380	27,201,962	-	-	-	-	-	31,878,342	9,677,706	41,556,048
Committed	37,110,000	-	-	10,033,946	-	-	-	47,143,946	-	47,143,946
Assigned	-	-	-	90,824,689	6,942,220	-	-	97,766,909	-	97,766,909
Unassigned	18,325,580	-	232,016	17,806,933	-	-	-	36,364,529	(265,477,274)	(229,112,745)
Total Fund Balances	65,254,533	27,201,962	232,016	119,728,249	10,276,585	-	-	222,693,345	70,145,227	292,838,572
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 131,519,399	\$ 51,948,475	\$ 1,115,779	\$ 135,388,315	\$ 13,079,067	\$ 11,849,336	\$ 2,860,982	\$ 347,761,353	\$ 766,812,410	\$ 1,114,573,763

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	General	Debt Service	Child Development	Capital Projects	Enterprise	Internal Service	Financial Aid	Governmental Funds Total (Memorandum Only)	Conversion Entries	Full Accrual Total
REVENUES										
Federal	\$ 7,727,665	\$ -	\$ 100,211	\$ -	\$ -	\$ -	\$ 87,879,329	\$ 95,707,205	\$ -	\$ 95,707,205
State	269,695,331	-	1,396,745	6,136,801	-	-	7,438,954	284,667,831	-	284,667,831
Local	115,826,142	28,796,001	-	756,257	-	-	-	145,378,400	(8,936,085)	136,442,315
Operational	-	-	-	-	18,716,617	8,930,679	-	27,647,296	-	27,647,296
Interest and other	1,297,264	416,294	3,768	1,165,488	42,562	100,226	-	3,025,602	(3,864)	3,021,738
Total Revenues	394,546,402	29,212,295	1,500,724	8,058,546	18,759,179	9,030,905	95,318,283	556,426,334	(8,939,949)	547,486,385
EXPENDITURES										
Current Expenditures										
Academic salaries	149,343,919	-	-	-	-	-	-	149,343,919	-	149,343,919
Classified salaries	84,129,748	-	1,322,914	-	3,567,937	141,225	-	89,161,824	-	89,161,824
Employee benefits	84,735,530	-	683,688	-	1,024,792	3,760,738	-	90,204,748	(5,154,586)	85,050,162
Books and supplies	7,234,426	-	101,928	8,573	114,655	-	-	7,459,582	(1,609,946)	5,849,636
Cost of goods sold	-	-	-	-	10,065,645	-	-	10,065,645	-	10,065,645
Services and operating expenditures	40,113,710	-	10,384	3,009,888	3,569,001	5,128,942	120,563	51,952,488	-	51,952,488
Student financial aid	18,073	-	-	-	-	-	99,122,896	99,140,969	-	99,140,969
Capital outlay	7,338,344	-	1,092	19,854,749	-	-	-	27,194,185	(27,194,185)	-
Depreciation	-	-	-	-	163,567	-	-	163,567	30,214,022	30,377,589
Debt service - principal	-	10,890,000	-	-	-	-	-	10,890,000	(10,890,000)	-
Debt service - interest and other	-	16,058,765	-	27,158	-	-	-	16,085,923	(7,054,102)	9,031,821
Total Expenditures	372,913,750	26,948,765	2,120,006	22,900,368	18,505,597	9,030,905	99,243,459	551,662,850	(21,688,797)	529,974,053
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,632,652	2,263,530	(619,282)	(14,841,822)	253,582	-	(3,925,176)	4,763,484	12,748,848	17,512,332
OTHER FINANCING SOURCES (USES)										
Operating transfers in	2,244,132	534,598	579,223	9,783,113	250,026	-	3,925,176	17,316,268	(17,316,268)	-
Operating transfers out	(14,641,163)	(152,814)	-	(1,658,403)	(853,000)	-	-	(17,305,380)	17,316,268	10,888
Total Other Financing Sources (Uses)	(12,397,031)	381,784	579,223	8,124,710	(602,974)	-	3,925,176	10,888	-	10,888
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,235,621	2,645,314	(40,059)	(6,717,112)	(349,392)	-	-	4,774,372	12,748,848	17,523,220
FUND BALANCES, BEGINNING OF YEAR	56,018,912	24,556,648	272,075	126,445,361	10,625,977	-	-	217,918,973	57,396,379	275,315,352
FUND BALANCES, END OF YEAR	\$ 65,254,533	\$ 27,201,962	\$ 232,016	\$ 119,728,249	\$ 10,276,585	\$ -	\$ -	\$ 222,693,345	\$ 70,145,227	\$ 292,838,572

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FUNDING AND PROPERTY TAX ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The District's computational revenue for the fiscal year is as follows:

Fiscal Year	Average Program Based Funding per FTES	Funded Full-Time Equivalent Students (FTES)	Total Computational Revenue
2016-17	\$ 5,439	53,366	\$ 290,270,695

The District's secured tax levies and collections for the current fiscal year are as follows:

Fiscal Year	Secured Tax Charge	Amount Collected June 30	% Collected
2016-17	\$ 18,033,065	\$ 17,890,738	99.2%

The District's current year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties is as follows:

2016-17 Assessed Valuation	\$ 172,786,786,876
Less Unsecured and Utility Assessment	6,556,753,993
Local Secured Assessed Valuation	<u>\$ 166,230,032,883</u>

		2016-17 Assessed Valuation
	<u>Property Owner</u>	
1	Intel Corporation	\$ 619,852,039
2	Oakmont Properties	\$ 286,718,001
3	Donahue Schriber Realty Group LP	\$ 234,771,800
4	Wal Mart Real Estate Business Trust	\$ 205,388,484
5	Target Corporation	\$ 200,832,941
6	Hines Sacramento Wells Fargo Center	\$ 192,500,000
7	Apple Computer Inc.	\$ 191,571,799
8	MP Holdings LLC	\$ 178,291,928
9	Aerojet General Corp.	\$ 173,898,016
10	Harsch Investment Corp.	\$ 166,904,968

See accompanying note to unaudited supplementary information.

LOS RIOS COMMUNITY COLLEGE DISTRICT

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.

Schedule of Funding and Property Tax Assessments

The Schedule of Funding and Property Tax Assessments includes information on the District's current year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.