LOS RIOS COMMUNITY COLLEGE DISTRICT

Sacramento, California

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2009

Matson and Isom

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Los Rios Community College District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 15 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT
Continued

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 financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The schedule of revenues, expenses, and changes in net assets – 2009 budget to 2010 budget – general fund on page 50, and the schedule of funding and property tax assessments on page 56 have not been subjected to the auditing procedures applied in the audit of the financial statements; and, accordingly, we express no opinion on them.

Matson and Isom

December 2, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Los Rios Community College District (the District) for the years ended June 30, 2009 and June 30, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

ACCOUNTING STANDARDS

The format of these financial statements follows Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*. The California Community College Chancellor's Office (Chancellor's Office) recommends all State community college districts follow the business type activity (BTA) model. The District applied the BTA reporting model to comply with the recommendation and to report in a manner consistent and comparable with other community college districts.

GASB reporting standards require that the annual report include three basic financial statements that provide information on the District as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The information provided on the statements in the Management's Discussion and Analysis (MDA) includes all funds but excludes the Los Rios Foundation. Each statement will be discussed separately. Separately issued financial statements for the Foundation can be obtained from the Foundation. Also, in the supplemental section of the audited financial statements, the typical fund-type format of the statements is presented with a reconciliation to the BTA-type presentation.

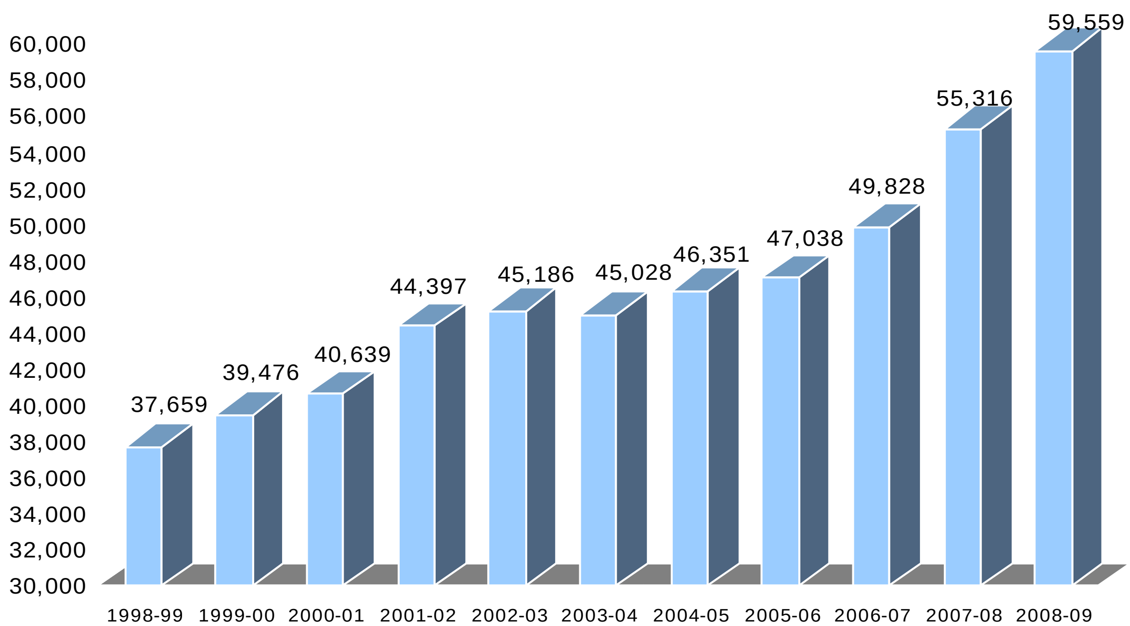
The following MDA provides an overview of the District's financial activities.

FINANCIAL AND ATTENDANCE HIGHLIGHTS

- The District reported 59,813 full-time equivalent resident and non-resident students (FTES) for 2008-09 on the Annual Attendance Report submitted to the Chancellor's Office. This represents actual growth of 6.9% over the prior year.
- Unduplicated student headcount grew in 2008-09 by 6.0%. There were about 88,000 students enrolled in both the Fall and Spring terms.
- The 2008-09 Budget Act provided for no cost of living adjustment (COLA) compared to 4.53% funding in 2007-08.
- The District anticipates receiving 1.66% in growth funds, totaling over $4 million. In addition, the District received basic allocation increases of $1.6 million.
- Property tax revenue collections were short of budget projections resulting in a Statewide deficit to base funding of 1.5%, $3.9 million, as of the second principal apportionment.
- The District has an irrevocable trust for its post-employment health benefits in place. Future District expenditures to fund this trust will be dependent on actuarial studies completed every two years as required by GASB 45. The District plans to continue its current practice of funding the actuarially determined Annual Required Contribution (ARC).

- In March 2002, voters approved a $265 million General Obligation Bond authorization to fund specific capital construction projects. The proceeds from bonds issued, coupled with projected revenues from the State Capital Outlay Program, will enable the District to meet projected enrollment growth through 2015. Series A, B, and C bonds total $162.5 million and leaves $102.5 million to be issued. Proceeds from the Series A and B General Obligation Bond issuances of $92.5 million have been fully expended. Eighty-five percent of the Series C proceeds were expended by June 30, 2009.
- In November 2008, voters approved Measure M, a $475 million general obligation bond authorization for the District. The proceeds, combined with anticipated State capital outlay funds, will provide financing for construction and modernization of educational and support facilities for the next decade.
- Construction commitments totaled $36.1 million at June 30, 2009. Subsequent to June 30, 2009, additional construction encumbrances have been recorded totaling $0.4 million.

Attendance History – Actual Resident FTES
(Without Summer Shift)



Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net assets – the difference between assets and liabilities – are an indicator of the financial health of a district. For the 2008 column, the deferred compensation plan has been eliminated from the presentation of the financial statements because the plan is not subject to the creditors of the District. In addition, certain receivable and noncurrent liability accounts have been reclassified for purposes of better reflecting its classification for the presentation of this financial statement. There was no effect on total net assets for these reclassifications.

	2009	2008	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 133,962,343	$ 148,199,800	-10%
Short-term investments	6,531,940	472,189	1283%
Receivables - net	46,828,531	30,010,335	56%
Inventory, prepaid, and other assets	4,156,228	5,382,858	-23%
Total Current Assets	191,479,042	184,065,182	4%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	29,270,771	26,994,059	8%
Restricted investments	6,160,074	47,191,233	-87%
Long-term investments	9,993,570	9,472,783	5%
Accounts receivable	304,920	304,920	0%
Deferred charges	1,316,629	1,381,814	-5%
Capital assets - net	398,769,106	360,036,578	11%
Total Noncurrent Assets	445,815,070	445,381,387	0%
Total Assets	$ 637,294,112	$ 629,446,569	1%
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payables and accrued liabilities	$ 43,608,022	$ 49,420,074	-12%
Deferred revenue	19,728,212	16,999,326	16%
Other current liabilities	18,941,834	14,094,985	34%
Total Current Liabilities	82,278,068	80,514,385	2%
NONCURRENT LIABILITIES			
Long-term liabilities	164,769,262	169,592,875	-3%
Total Liabilities	247,047,330	250,107,260	-1%
NET ASSETS			
Invested in capital assets - net	254,293,528	234,919,869	8%
Restricted	12,918,716	28,479,076	-55%
Unrestricted:			
Reserve for noncash assets	4,241,704	5,445,832	-22%
Contractual obligations	12,235,741	10,158,772	20%
Designated for capital and other projects	82,784,389	76,987,383	8%
General contingency reserve	23,772,704	23,348,277	2%
Total Unrestricted	123,034,538	115,940,264	6%
Total Net Assets	390,246,782	379,339,209	3%
Total Liabilities and Net Assets	$ 637,294,112	$ 629,446,469	1%

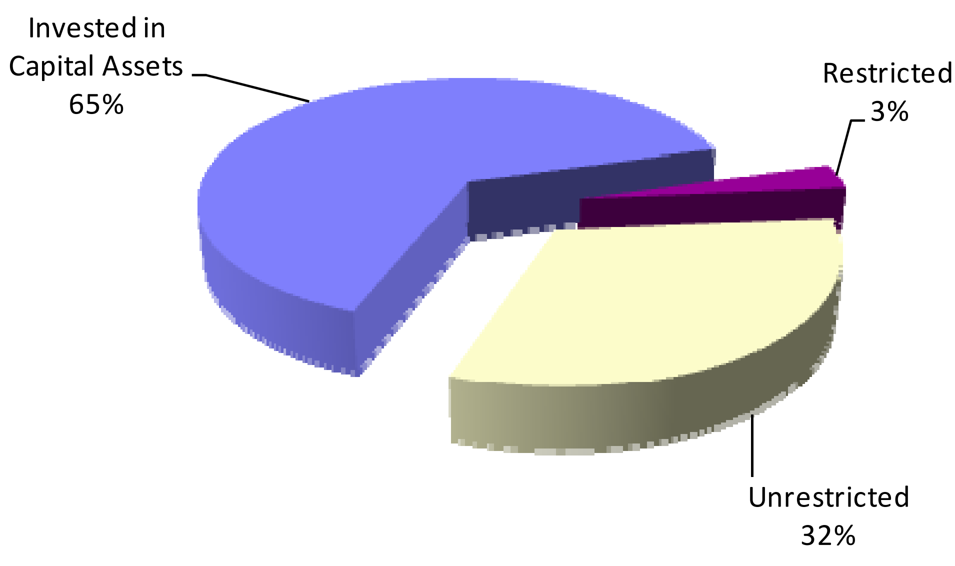
- Current cash and cash equivalents consist mainly of cash in the County Treasury ($129.9 million).
- Short-term investments consist primarily of the proceeds from the Tax and Revenue Anticipation Notes (TRANs), $6.1 million which was invested in the Local Agency Investment Fund (LAIF).
- Receivables include $29.1 million in State apportionment payments deferred until July 2009, compared to $10.1 million deferred in the prior year. Receivables include income earned but not received from State and federal grants, interest income, and lottery revenues. The footnotes to the financial statements contain a breakdown of the receivables.
- Inventory, prepaid, and other assets consist primarily of bookstore inventory ($2.0 million), prepayments to vendors ($0.8 million), and the July 2009 prepayment of the employee medical premiums ($1.3 million). Prepayments are made in the current year for services or goods that will not be received until the following fiscal year.
- Restricted cash and cash equivalents consist of amounts relating to the Bond Projects Fund ($8.9 million), Bond Redemption Fund ($7.4 million), and the restricted portion of the General Fund ($13.0 million).
- Restricted investments consist of General Obligation Bond proceeds invested until needed. The change from last year reflects the use of the funds on capital projects.
- Long-term investments consist primarily of investments in LAIF by the Bookstore Fund ($9.5 million).
- Deferred charges are the issuance costs on the District's long-term debt, which are amortized over the term of the bonds.
- Capital assets - net are the historical value of land, buildings, and equipment less accumulated depreciation. Assets increased $58.6 million with a corresponding increase in accumulated depreciation of $19.9 million. The footnotes to the financial statements contain a breakdown of the net capital assets.
- Accounts payable and accrued liabilities consist mainly of accrued payroll ($17.9 million), interest payable on long-term debt ($3.0 million), liabilities related to the Self Insurance Fund ($7.3 million), and payables due to vendors ($15.4 million). The decrease from the prior year was primarily due to a lower accrual for the expected retroactive salary schedule adjustment for 2008-09.
- Deferred revenue relates to federal, state, and local program funds received, but not yet earned ($14.2 million). Most grant funds are earned when expended. Also included are deferred enrollment fees for the 2009-10 fiscal year ($5.5 million).
- Other current liabilities include compensated absences and benefits payable of $5.1 million, TRANs outstanding of $6.1 million, and principal payable relating to the general obligation bonds and certificates of participation totaling $4.7 million.

- Long-term liabilities are debt with maturities of more than one year. Compensated absences payable ($10.0 million), general obligation bonds payable ($144.8 million), and certificates of participation ($6.5 million), are the major components of the noncurrent portion. The decrease is primarily due to the reclassification of long-term bond principal payments to current liabilities.

- Restricted net assets consist primarily of net assets held for capital projects ($4.0 million), net assets held for grant expenditures ($2.4 million), and net assets held for debt service ($5.7 million).

- Unrestricted net assets include amounts reserved for prepayments and revolving accounts ($2.2 million), bookstore inventory ($2.0 million), open purchase orders and other contractual obligations ($12.2 million), and amounts reserved for capital and other projects ($82.8 million). Board policy requires that the District maintain an unrestricted contingency reserve (not including committed funds) of not less than 3% of the General Fund general-purpose revenue. In addition, the District's total unrestricted General Fund balance exceeds the State minimum recommendation of 5% of expenditures. Reserves are also maintained in other funds at prudent levels.

Net Assets as of June 30, 2009



Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating finances of the District, as well as the nonoperating revenues and expenses. State general apportionment funds, while used for operations, are considered nonoperating revenues under generally accepted accounting principles. For the 2008 column, certain grant and apportionment accounts have been reclassified for purposes of better reflecting its classification for the presentation of this financial statement. There was no effect on total net assets for these reclassifications.

	2009	2008	Change
REVENUES			
Operating revenues:			
Net tuition and fees	$ 23,147,112	$ 22,391,452	3%
Grants, contracts, and other designated revenues - noncapital	38,799,093	37,783,991	3%
Auxiliary enterprise sales and charges	20,513,231	19,399,307	6%
Other operating income	2,198,481	2,141,455	3%
Total Operating Revenue	84,657,917	81,716,205	4%
Total Operating Expenses	347,838,712	342,325,405	2%
Operating Loss	(263,180,795)	(260,609,200)	1%
Nonoperating revenues (expenses):			
State apportionments - noncapital	192,152,505	192,949,061	0%
Local property taxes - noncapital	59,735,229	58,685,864	2%
Lottery and other revenue	9,415,818	9,046,618	4%
Investment income (expense) - noncapital	2,719,528	5,305,324	-49%
Other non-operating revenues (expenses)	(2,755,238)	(3,482,831)	-21%
Total Nonoperating Revenues (Expenses)	261,267,842	262,504,036	0%
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,912,953)	1,894,836	-201%
Apportionment and property taxes - capital	17,009,988	25,892,768	-34%
Investment income (expense) - capital	(4,236,028)	(74,510)	5585%
Grants and gifts - capital	46,466	178,015	-74%
Other income (expense)	-	(92,590)	-100%
Increase in Net Assets	10,907,473	27,798,519	-61%
Net Assets - As Previously Reported	379,339,309	330,909,038	15%
Cumulative Effect of a Change in Accounting Principle	-	20,631,752	
Net Assets - As Restated	379,339,309	351,540,790	8%
Net Assets - End of Year	$ 390,246,782	$ 379,339,309	3%

- Net tuition and fees consist mainly of enrollment fees ($28.1 million), non-resident tuition, non-capital portion ($4.1 million), and parking fees ($3.8 million). Tuition and fees presented are net of scholarship discounts and allowances ($15.6 million).

- Grants, contracts, and other designated revenues consist of federal revenue ($8.9 million), State revenue ($24.8 million), and local revenue ($5.0 million). Vocational Education ($4.0 million) accounts for most of the federal revenue.

- Auxiliary enterprise sales are primarily bookstore revenues ($20.0 million).

- Other operating income consists primarily of miscellaneous local revenue ($1.9 million).

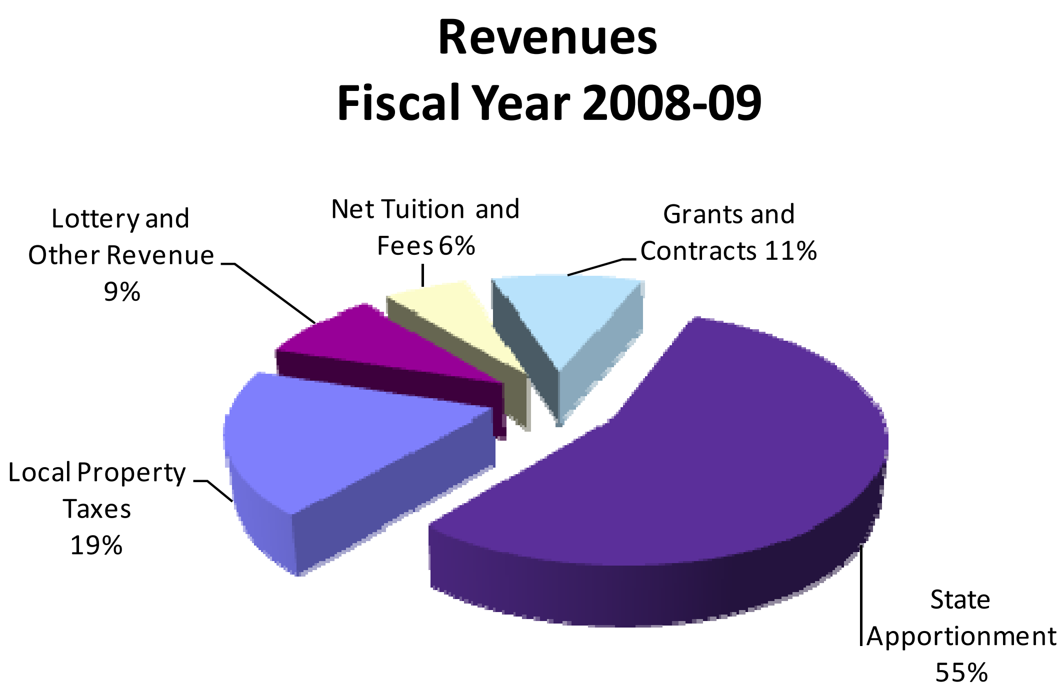
- State apportionment–noncapital consists of State apportionment ($184.6 million), economic development revenue ($4.3 million), scheduled maintenance and special repairs revenue ($1.5 million), and apprenticeship revenue ($1.5 million). State apportionment represents total computational revenue earned less enrollment fees and property taxes. Estimated State apportionment is $3 million less than 2007-08. The District's revenue entitlement under SB361 increased $4.2 million over 2007-08 estimates. This increase is comprised of growth funding for 2008-09 of $2.6 million and an increase in the basic allocation for the District of $1.6 million. Property tax revenues for the District increased by $1 million, and enrollment fees stay relatively the same, although out-of-state tuition increased by $400,000. The apportionment decrease, despite an increase in funding, is attributable to one-time revenues received in 2007-08 for 2006-07 final growth calculations.

- Lottery and other revenue consist primarily of State lottery revenue ($6.6 million). The increase is primarily due to one-time funding from the State for SB1133 ($0.4 million).

- Investment income (expense) – noncapital, decreased due to lower interest rates earned by the County Pool and other investments ($2.8 million) net of increases in market value ($0.2 million).

- Apportionment and property taxes – capital, the decrease is attributed to a decline in authorized State capital outlay projects.

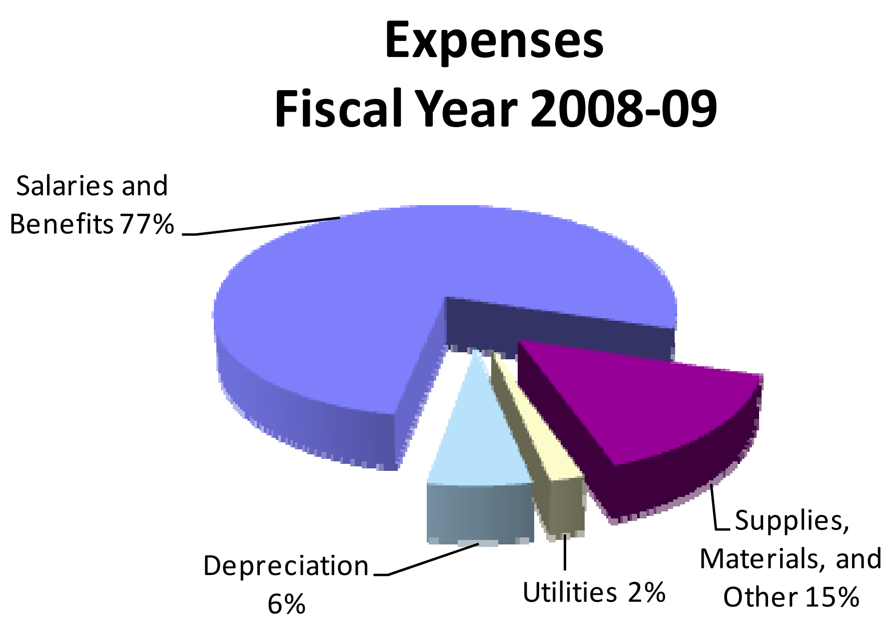
- Investment income (expense) – capital, decreased due to substantial reduction in investment rates and less cash held for capital investments.



Operating Expenses (by Natural Classification)

	2009	2008	Change
Salaries	$ 212,468,120	$ 212,673,115	0%
Employee benefits	49,584,304	47,381,030	5%
Other postemployment benefits	7,032,721	7,682,132	-8%
Supplies, materials, other operating expenses, and services	51,715,605	49,077,553	5%
Utilities	7,027,448	6,965,797	1%
Depreciation	20,010,514	18,545,778	8%
Total Operating Expenses	$ 347,838,712	$ 342,325,405	2%

- Salaries remained virtually the same. Employee benefits expenses increased by 5% primarily due to an increase in healthcare premiums as well as increases in payroll related benefits from additional positions. Depreciation increased $1.4 million due to the completion and use of several facilities from Measure A and State capital outlay bond funding.



Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to manage its net cash flows, its ability to meet its obligations as they come due, and the need for external financing. For the 2008 column, the deferred compensation plan has been eliminated from the presentation of the financial statements because the plan is not subject to the creditors of the District. In addition, certain operating, noncapital and capital related financing activities have been reclassified for purposes of better reflecting its classification for the presentation of this financial statement.

	2009	**2008**	**Change**
Cash provided (used) by:			
Operating activities	$ (247,279,066)	$ (236,489,369)	5%
Noncapital financing activities	248,747,700	264,620,689	-6%
Capital and related financing activities	(47,896,759)	(20,077,788)	139%
Investment activities	34,467,380	13,154,424	162%
Net Increase (Decrease) in Cash	(11,960,745)	21,207,956	-156%
Cash - Beginning of Fiscal Year	175,193,859	153,985,903	14%
Cash - End of Fiscal Year	$ 163,233,114	$ 175,193,859	-7%

- Cash was lower at June 30, 2009, due to additional State apportionment deferrals of $19 million.
- Cash receipts from operating activities consist primarily of State grants and contracts ($25.9 million), bookstore sales ($20 million), and tuition and fees ($23.7 million). Cash outlays were payments to, or on behalf of, employees ($279.7 million) and payments to suppliers ($57.4 million).
- General apportionment ($174.5 million) and property taxes ($69.2 million) are the primary sources of noncapital financing.
- Sources of cash for capital and related financing activities were from State apportionment ($3.3 million), local property taxes ($11.5 million) and interest from investments ($5.0 million). Uses of cash for capital activities were purchases of capital assets ($55.7 million) and principal and interest paid on capital debt ($11.8 million).
- Investment activities include proceeds from the sales and maturities of investments ($52 million), interest earned on investments ($0.2 million) and purchase of investments ($18 million).

Economic Factors That May Affect the Future

In February of 2009, the State revised the budget for 2008-09 and enacted the 2009-10 budget. The budget revision for 2008-09 primarily consisted of the elimination of the small COLA. In May, the Governor proposed additional revisions to the 2008-09 budget as well as a revision to the 2009-10 budget. The outcome for 2008-09 was no further revisions, although the uncertainty during the final weeks of the fiscal year was unsettling. The 2009-10 budget was revised resulting in significant reductions in both general apportionment and categorical programs. For the District, the general apportionment reduction is $8.8 million and categorical reductions total $10.9 million. These reductions are offset by approximately $1.6 million in American Recovery and Reinvestment Act (ARRA) funds as one-time backfill for the categorical programs. To ease the State's cash flow issues, a significant amount of apportionment payments, ($803 million Statewide) to districts are deferred during the months of January through June. This results in lowered interest earnings. Finally, enrollment fees were increased by $6 per unit to $26. Generally, a fee increase would result in reduced enrollments. However, due to the weak job market, the fee increase has not affected fall term enrollments.

As the State's budget process has become more unpredictable, the District has developed a three-year plan to sustain its programs and services. The plan incorporates the reduction in funding for 2009-10, excluding the ARRA backfill and forecasts the same revenue level for 2010-11 and 2011-12. Continuing cost increases are then also projected over the same three-year period. The combination of revenue reductions and cost increases are then addressed by the use of uncommitted resources as well as savings generated through a reduction in instructional offerings, open positions, operational reductions and passing on to employees the cost of medical premium increases. The final component is the use of District reserves from the capital outlay projects funds up to $20 million over the three years.

The plan will be re-evaluated as needed and the District retains the ability to implement salary schedule reductions and/or further program reductions if necessary during the three years, or if the current crisis extends beyond 2011-12.

Other economic factors include:

- District employees participate in either the California State Teachers Retirement System (STRS) or California Public Employees Retirement System (PERS). Both systems are affected by fluctuations in financial markets. PERS rates are projected to increase to 12.9% of payroll by 2011-12. The 2008-09 rate was 9.4%. The three-year plan included this increase. Any change in the STRS rate will require legislative action.

- In August 2009, the District issued its fourth series of general obligation bonds authorized under Measure A bringing the total issued to $217.5 million of the $265 million. In addition, voters approved Measure M, a $475 million bond authorization, in November 2008. This authorization allows the District to continue its facility program.
- The District received approval for two educational centers during 2008-09; the Davis Center and the Elk Grove Center. Approval of the Davis Center provides $1 million in annual operational funding under SB 361 and makes the Center eligible for future State Capital Outlay funding. Because the Elk Grove Center is conditional, it must achieve 500 Fall term FTES before it is eligible for the operational and capital outlay funding.
- State funding for instructional equipment and scheduled maintenance and special repairs was eliminated in the 2009-10 budgets. These funds have been essential to the District. Fortunately, bond funds are available for equipment needs in new and remodeled facilities. In addition, the District has one-time funds that can be used to continue to maintain facilities.
- Due to the downturn in the housing market, it is possible that property tax revenues will come in below budget projections. California community colleges are not guaranteed backfill on property tax shortfalls and must absorb revenue shortfalls from base appropriations.
- Student enrollment increased both in Summer and Fall 2009. While student enrollment demand continues to grow, the District will need to limit class offerings due to lack of State funding.

FINANCIAL SECTION

June 30, 2009	Primary Institution	Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 133,962,343	$ 1,106,576
Short-term investments	6,531,940	-
Accounts receivable - net	45,344,503	979,812
Interest receivable	1,484,028	-
Inventory	2,005,376	-
Prepaid expenses	2,150,852	-
Total Current Assets	191,479,042	2,086,388
NONCURRENT ASSETS		
Restricted cash and cash equivalents	29,270,771	-
Restricted investments	6,160,074	-
Long-term investments	9,993,570	6,335,191
Accounts receivable	304,920	-
Deferred charges	1,316,629	-
Pledge receivable	-	648,770
Capital assets - net	398,769,106	-
Total Noncurrent Assets	445,815,070	6,983,961
Total Assets	$ 637,294,112	$ 9,070,349
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 22,815,579	$ 8,713
Accrued salaries and related benefits	17,852,103	241
Interest payable	2,940,340	-
Deferred revenue	19,728,212	-
Compensated absences payable - current portion	5,132,304	-
Other accrued liabilities	1,641,634	-
Amounts held in trust for others	1,172,985	1,148
Tax and revenue anticipation notes	6,060,900	-
Long-term liabilities - current portion	4,934,011	-
Total Current Liabilities	82,278,068	10,102
NONCURRENT LIABILITIES		
Compensated absences payable - noncurrent portion	10,054,783	-
Payable under trust agreements	-	24,946
Long-term liabilities	154,714,479	-
Total Noncurrent Liabilities	164,769,262	24,946
Total Liabilities	247,047,330	35,048
NET ASSETS		
Invested in capital assets - net of related debt	254,293,528	-
Restricted for:		
Nonexpendable	-	2,229,083
Expendable	12,918,716	6,276,450
Unrestricted	123,034,538	529,768
Total Net Assets	390,246,782	9,035,301
Total Liabilities and Net Assets	$ 637,294,112	$ 9,070,349

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2009	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees (gross)	$ 38,740,465	$ -
Scholarship discounts and allowances	(15,593,353)	-
Net Tuition and Fees	23,147,112	-
Grants and contracts - noncapital:		
Federal	8,911,969	-
State	24,843,068	-
Local	5,044,056	-
Other operating income	2,198,481	-
Auxiliary enterprise sales and charges	20,513,231	-
Total Operating Revenues	84,657,917	-
OPERATING EXPENSES		
Salaries	212,468,120	7,210
Employee benefits	56,617,025	644
Supplies, materials, and other operating expenses and services	51,679,804	485,181
Utilities	7,027,448	-
Depreciation	20,010,514	-
Payments to students	35,801	343,735
Total Operating Expenses	347,838,712	836,770
Operating Loss	(263,180,795)	(836,770)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	192,152,505	-
Local property taxes - noncapital	59,735,229	-
State taxes and other revenues	9,415,818	-
Interest income - noncapital	2,080,890	190,026
Investment income - noncapital	691,366	(1,018,321)
Interest expense - noncapital	(52,728)	-
Amortization of deferred charges	(65,185)	-
Financial aid revenues - federal	52,400,142	-
Financial aid revenues - state	4,195,088	-
Financial aid expenses	(60,073,944)	-
Other nonoperating revenues - grants/gifts - noncapital	230,470	1,491,915
Other nonoperating revenues (expenses) - grants/gifts - miscellaneous	558,191	(15,612)
Total Nonoperating Revenues (Expenses)	261,267,842	648,008
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,912,953)	(188,762)
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State apportionments - capital	5,534,256	-
Local property taxes and revenues - capital	11,475,732	-
Interest income - capital	3,157,137	-
Investment income - capital	(502,055)	-
Interest expense on capital assets - related debt	(6,912,750)	-
Grants and gifts - capital	46,466	-
Proceeds from disposal of capital assets	21,640	-
Total Other Revenues, Expenses, Gains, or Losses	12,820,426	-
Increase (Decrease) in Net Assets	10,907,473	(188,762)
Net Assets - Beginning of Year	379,339,309	9,224,063
Net Assets - End of Year	$ 390,246,782	$ 9,035,301

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

Year Ended June 30, 2009	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 23,733,599	$ -
Federal grants and contracts	9,978,584	-
State grants and contracts	25,854,029	-
Local grants and contracts	7,476,447	-
Payments to suppliers	(57,375,824)	(56,218)
Payments to/on behalf of employees	(279,678,959)	(7,613)
Payments to/on behalf of students	(35,801)	(343,735)
Auxiliary enterprise sales and charges	20,585,274	-
Other receipts (payments)	2,183,585	(369,297)
Net Cash Used by Operating Activities	(247,279,066)	(776,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	174,525,436	-
Local property and state taxes, lottery, and other state receipts	69,151,047	-
Gifts and grants for other than capital purposes	788,661	1,613,156
Financial aid, scholarship, loan trust receipts - federal	52,986,254	-
Financial aid, scholarship, loan trust receipts - state	4,336,786	-
Financial aid disbursements	(60,073,944)	-
Proceeds from issuance of TRANs	6,060,900	-
Student organization agency receipts (payments)	(1,820,146)	-
Interest paid on noncapital investments	2,789,290	-
Interest paid on noncapital debt	(4,047)	309
Other receipts (payments)	7,463	-
Net Cash Provided by Noncapital Financing Activities	248,747,700	1,613,465
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionments for capital purposes	3,335,560	-
Capital grants and gifts received	46,466	-
Purchases of capital assets	(55,699,590)	-
Proceeds from sales of capital assets	22,049	-
Principal paid on capital debt	(4,480,000)	-
Interest paid on capital debt	(7,274,513)	-
Interest on capital investments	4,677,537	-
Local property taxes and other revenues for capital	11,475,732	-
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (47,896,759)	$ -

Year Ended June 30, 2009	Primary Institution	Foundation
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 52,329,657	$ -
Investment income (fees) on investments	-	(40,321)
Interest on investments	220,382	231,486
Transfer of assets to irrevocable trust	(18,606)	-
Purchase of investments	(18,064,053)	(1,634,582)
Net Cash Provided (Used) by Investing Activities	34,467,380	(1,443,417)
Net Decrease in Cash and Cash Equivalents	(11,960,745)	(606,815)
Cash and Cash Equivalents Balance - Beginning of Year	175,193,859	1,713,391
Cash and Cash Equivalents Balance - End of Year	$ 163,233,114	$ 1,106,576
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (263,180,795)	$ (836,770)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	20,010,514	-
Changes in assets and liabilities:		
Receivables - net	494,510	58,819
Inventories	(46,721)	-
Other assets	1,273,351	-
Accounts payable	704,841	6,784
Accrued salaries and benefits	(9,543,487)	-
Deferred revenue	2,457,887	-
Other accrued liabilities	848,069	-
Compensated absences	28,342	-
Other liabilities	(325,577)	(5,696)
Net Cash Used by Operating Activities	$ (247,279,066)	$ (776,863)

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity Los Rios Community College District (the District) is a political subdivision of the State of California and provides higher education in the greater Sacramento area, which consists of portions of five counties. The District consists of four colleges, three official centers, and several satellite locations located throughout the service area (the Primary Institution).

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent pass-through accounts and student organizations' activities within the District.

The District and the Los Rios Foundation (the Foundation) have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation have been included in the financial statements of the District. The separately audited financial statements of the Foundation may be obtained from the District.

The following are those aspects of the relationship between the District and the Foundation that satisfies the GASB:

Accountability The Foundation operates under a master agreement with the District in accordance with the *California Education Code* requirements. The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

Scope of Public Service The Foundation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Foundation was formed to promote and assist the educational services of the District.

Discrete Presentation For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before December 8, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

Cash and Cash Equivalents The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

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

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

The District has obtained a collateralization contract with Bank of America whereby all deposits will be secured by collateral held by BNY Western Trust Company.

Short-Term Investments The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF). As of June 30, 2009, the LAIF pool includes structured notes and asset-backed securities which total 14.71% of the total portfolio. These structured notes and asset-backed securities are subject to market risk due to changes in interest rates. There are no LAIF funds invested in derivatives as of June 30, 2009. The value of the District's investment in LAIF is the fair value of the pool shares. As of June 30, 2009, the fair value of LAIF is 100.14% of the carrying value. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the State Treasurer or his designated representative. The District is considered to be a voluntary participant in the LAIF investment pool.

Accounts Receivable Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in California. Accounts receivable also include amounts due from the federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was $335,593 at June 30, 2009.

Inventory Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Prepaid Expenses Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

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

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

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

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

Depreciation is computed on a straight-line basis using the half-year convention over the estimated useful life of the assets, generally 50 years for buildings, 15 years for portables, 10 years for land improvements, 8 years for equipment, 5 years for library books, and 3 years for technology equipment. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

Deferred Revenue Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District has a load banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

Amounts Held in Trust for Others The liability represents funds collected and held by the District for certain third-party vendors, trusts, and college-related organizations.

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

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

> *Invested in Capital Assets - Net of Related Debt* represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred for capital assets but not yet expended, such amounts are not included as a component of invested in capital assets - net of related debt.
>
> *Restricted Net Assets - Nonexpendable* consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.
>
> *Restricted Net Assets - Expendable* include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Classification of Revenues The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, State, and local grants and contracts, and federal appropriations.

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

Scholarship Discounts and Allowances and Financial Aid Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governors' (BOG) waivers to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

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

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

Estimates Used in Financial Reporting In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest source of revenues, known as "Program Based Funding," includes property taxes, enrollment fees, and State revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

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

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's Board of Trustees approves revisions to the budget.

General Apportionment, Property Tax and Enrollment Fees The District's base funding is received from a combination of state apportionment, property taxes, and student enrollment fees.

The Counties (El Dorado, Placer, Sacramento, Solano, and Yolo) are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the Counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in three installments on or before February 10, June 10, and August 10.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The Counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

Property taxes are recorded as local revenue sources by the District. The California Community College Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES), that the District is entitled to by law.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	Fair Value
PETTY CASH/CASH AWAITING DEPOSIT	$ 191,477
DEPOSITS (1)	4,176,019
INVESTMENTS THAT ARE NOT SECURITIES (2)	
County Treasury Pooled Investment Fund	158,865,605
Local Agency Investment Fund	15,997,469
Money market mutual fund	13
Subtotal	174,863,087
INVESTMENT SECURITIES	
U.S. government agency securities:	
Federal National Mortgage Association	6,160,074
Federal Farm Credit Bank	528,041
Subtotal	6,688,115
Total Cash and Cash Equivalents and Investments	$ 185,918,698

(1) ***Deposits*** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposits, and money market accounts at financial institutions, if any.

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

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2009, the District's bank balances were exposed to custodial credit risk as follows:

	Bank Balance
Uninsured and collateralized with securities held by pledging bank, or the pledging bank's trust department or agent, but not in the District's name	$ 4,833,962

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District's investment policy follows *California Government Code*, Section 53601, to limit its investment choices. The District's investment in the State and County investment pools and the money market mutual fund are unrated. The District's investments in the U.S. government agency securities are rated AAA or Aaa by Standard & Poor's or Moody's indices.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The proportion of investments in each of the permissible investment categories is restricted as defined in the *California Government Code*, Sections 53601 and 53635. None of the District's investments in a single issuer represent more than 5% of the District's total investments.

Interest Rate Risk – Investments

California Government Code, Section 53601, limits the District's investments to maturities of five years, unless the District approves the investment no less than three months prior to the investment.

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

		Maturity (in Years)		
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**More than 10**
County Treasury Pooled Investment Fund	$ 158,865,605	$ 158,865,605	$ -	$ -
Local Agency Investment Fund	15,997,469	15,997,469	-	-
Federal National Mortgage Association	6,160,074	6,160,074	-	-
Federal Farm Credit Bank	528,041	-	-	528,041
Totals	$ 181,551,189	$ 181,023,148	$ -	$ 528,041

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

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2009:

Federal grants and contracts	$ 3,774,843
State grants and contracts	677,115
Local grants and contracts	184,250
State apportionment - noncapital	31,996,360
State apportionment - capital	3,808,080
Auxiliaries	1,469,624
Interest receivable	1,484,028
Tuition and fees	1,052,300
Other	2,686,851
Total	$ 47,133,451

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
NONDEPRECIATED CAPITAL ASSETS				
Land	$ 9,987,231	$ -	$ -	$ 9,987,231
Construction in progress	36,950,926	40,153,287	5,608,260	71,495,953
DEPRECIATED CAPITAL ASSETS				
Site improvements	38,255,113	3,631,440	-	41,886,553
Buildings and improvements	334,940,083	12,404,214	-	347,344,297
Equipment	95,363,334	7,703,273	126,260	102,940,347
Library books and film	6,776,201	459,497	-	7,235,698
Total Capital Assets	522,272,888	64,351,711	5,734,520	580,890,079
Less: Accumulated depreciation	162,236,310	20,010,514	125,851	182,120,973
Total Capital Assets - Net	$ 360,036,578	$ 44,341,197	$ 5,608,669	$ 398,769,106

6. TAX AND REVENUE ANTICIPATION NOTES

On November 26, 2008, the District issued $6,000,000 of tax and revenue anticipation notes (TRANs) at an interest rate of 1.46%, due November 26, 2009. These TRANs were issued under the authority of the *California Government Code.* Proceeds from the issuance of TRANs were used to meet fiscal 2008-09 expenditures, including operating expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the District.

7. LONG-TERM LIABILITIES

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

	Balance July 1, 2008	Additions	Payments and Reductions	Balance June 30, 2009	Current Portion	Long-Term Portion
GOVERNMENTAL ACTIVITIES						
General obligation bonds	$ 153,605,000	$ -	$ 4,295,000	$ 149,310,000	$ 4,495,000	$ 144,815,000
Bond issuance premiums	3,903,369	-	287,110	3,616,259	247,769	3,368,490
Certificates of participation	6,880,000	-	185,000	6,695,000	190,000	6,505,000
Certificates of participation issuance premiums	28,473	-	1,242	27,231	1,242	25,989
Compensated absences	14,339,018	881,905	33,837	15,187,086	5,132,304	10,054,783
Total	$ 178,755,860	$ 881,905	$ 4,802,189	$ 174,835,576	$10,066,315	$ 164,769,262

8. BONDED DEBT

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

2002 Series A general obligation bond, due in annual installments of $575,000 to $1,860,000 beginning August 1, 2003, through August 1, 2027, at interest from 3.40% to 6.40%.	$ 23,585,000
2002 Series B general obligation bond, due in annual installments of $650,000 to $4,345,000 beginning August 1, 2005, through August 1, 2028, at interest from 2.00% to 5.00%.	59,160,000
2002 Series C general obligation bond, due in annual installments of $1,680,000 to $4,620,000 beginning August 1, 2007, through August 1, 2031, at interest from 4.25% to 5.25%.	66,565,000
Total	$ 149,310,000

The amount of interest cost incurred during the year ended June 30, 2009, was $6,898,374, all of which was charged to expense.

The annual requirements to amortize the general obligation bonds payable are as follows:

Years Ending June 30	Principal	Interest	Total
2010	$ 4,495,000	$ 6,774,109	$ 11,269,109
2011	4,695,000	6,571,059	11,266,059
2012	4,935,000	6,369,890	11,304,890
2013	5,160,000	6,175,453	11,335,453
2014	5,395,000	5,965,834	11,360,834
2015-2019	30,800,000	26,233,666	57,033,666
2020-2024	38,520,000	18,302,859	56,822,859
2025-2029	46,270,000	7,906,884	54,176,884
2030-2032	9,040,000	457,000	9,497,000
Total	$ 149,310,000	$ 84,756,754	$ 234,066,754

9. CERTIFICATES OF PARTICIPATION

In May 2006, the District issued certificates of participation (COP) in the amount of $7,055,000, with interest rates ranging from 3.75% to 4.75%. The amount of interest cost incurred during the year ended June 30, 2009, was $301,030, all of which was charged to expense.

The certificates mature through June 1, 2031, as follows:

Years Ending June 30	Principal	Interest	Total
2010	$ 190,000	$ 292,974	$ 482,974
2011	195,000	284,234	479,234
2012	205,000	275,264	480,264
2013	215,000	266,038	481,038
2014	220,000	257,438	477,438
2015-2019	1,255,000	1,152,240	2,407,240
2020-2024	1,555,000	865,880	2,420,880
2025-2029	1,935,000	486,556	2,421,556
2030-2031	925,000	64,750	989,750
Total	$ 6,695,000	$ 3,945,374	$ 10,640,374

10. OPERATING LEASES

The District has entered into various operating leases for buildings with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation upon written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The amount of rental expenditures during the year ended June 30, 2009, was $698,102. Future minimum lease payments are as follows:

Years Ending June 30	Lease Payments
2010	$ 623,310
2011	502,112
2012	280,682
2013	273,180
Total	$ 1,679,284

The District will receive no sublease rental revenues nor pay any contingent rentals for these buildings.

11. 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 Board of Governors of California community colleges who therein make adequate provision in the annual budget of the State for the servicing 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, 2009.

These assets are included in the District's statement of net assets. The Board leases the facilities constructed 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 Resource Center	1993-2017	$ 14,592,000	1993-94	$863,066 to $1,428,786
Folsom Lake College Instructional Facilities 1B	2005-2030	$ 36,841,000	2001-02	$809,709 to $2,499,000

12. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System

Plan Description

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were $10,239,386, $9,554,584, and $8,786,183, respectively, and equal 100% of the required contributions for each year.

California Public Employees Retirement System

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2008-09 fiscal year was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2009, 2008, and 2007, were $6,788,577 $6,150,780, and $5,541,030, respectively, and equal 100% of the required contributions for each year.

Public Agency Retirement System

The District has also adopted the Public Agency Retirement System Section (PARS) Section 457 FICA Alternative Retirement Plan. The Plan is covered under *Internal Revenue Code*, Section 457. Plan participants include all individuals who have worked for the District on or after July 1, 2008, provided that they are not covered by any other retirement program (e.g., CalPERS or CalSTRS) through the District employment. Each participant makes tax deferred contributions to the Plan equal to 3.75% of total compensation. The District is required to make contributions to the Plan for each participant equal to 3.75% of total compensation. The District's contribution to the Plan for the fiscal year ended June 30, 2009, was $186,310, and equals 100% of the required contributions for the year. Accounts are established in the name of each participant. Contributions are allocated directly to employee accounts. Participant account balances are fully vested and nonforfeitable. Participant account balances will be paid in a single distribution or direct rollover to another eligible retirement plan designated 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.

13. DEFERRED COMPENSATION

The District has a qualified employee annuity plan under Section 403(b) of the *Internal Revenue Code*. An annuity contract is purchased, in lieu of compensation at the direction of the employee, by the District for the employee for up to 100% of the employee's compensation but within IRS contribution limits. All costs of funding the plan are the responsibility of the plan participant. The District makes no additional contribution above the amount that would have been paid to the employee as normal compensation.

The District also offers its employees deferred compensation plans in accordance with *Internal Revenue Code*, Section 457 (457 plans). The plans, available to eligible District employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying event. At June 30, 2009, 182 employees of the District were participating in the plans. The assets of the 457 plans were held in trust as described in the *Internal Revenue Code*, Section 457 for the exclusive benefit of the employees and their beneficiaries. The plan administrators are agents of the employer for purposes of providing directions for the investment of funds held in the employers account. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plan balances and activities are not reflected in the District's financial statements.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The Los Rios Community College Retiree Health Benefits Plan (RHBP) 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 that provides for a monthly contribution for eligible retirees. The District assigned the authority to administer and interpret the RHBP to the Los Rios Community College District Retiree Health Benefit Oversight Committee appointed by the District.

The RHBP has 795 retirees receiving benefits and has a total of 1,975 active participants, of which 1,057 are not yet eligible to receive benefits.

Funding Policy

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District. The District has the right to modify, alter, or amend the plan in whole or in part.

The RHBP pays up to $197 per month for the payment or reimbursement of all or a portion of health insurance premiums of eligible retirees.

Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 7,129,767
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost (Expense)	7,129,767
Contributions	7,455,344
Change in Net OPEB Obligation	(325,577)
Net OPEB Obligation - Beginning of Year	325,577
Net OPEB Obligation - End of Year	$ -

The District's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 and 2008 were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2008	$ 61,657,554	$ 61,331,977	99.47%	$ 325,577
June 30, 2009	$ 7,129,767	$ 7,129,767	100.00%	$ -

Fiscal year 2008 was the year of implementation of GASB Statement No. 45. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

The funded status of the plan was based on the most recent actuarial valuation dated July 1, 2007, as follows:

	July 1, 2008	July 1, 2007
Actuarial accrued liability (AAL)	$ 63,308,578	$ 58,561,688
Actuarial value of plan assets	59,460,429	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 3,848,149	$ 58,561,688
Funded ratio (actuarial value of plan assets/AAL)	93.92%	0.00%
Covered payroll (active members)	$ 158,127,187	$ 142,560,759
UAAL as a Percentage of Covered Payroll	2.43%	41.08%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective. As such, they are merely an estimate of future costs. Deviations in any of several factors, such as future interest rates could result in actual costs being less or greater than estimated.

The schedule of funding progress 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.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, which is consistent with the long-term perspective of the calculations.

The actuarial assumptions included a 6.0% investment rate of return, compounded annually, net of investment expenses. The annual increase in the District's benefit cap is assumed to be 6.0%. The actuarial valuation of RHBP assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

The RHBP's unfunded actuarial accrued liability (UAAL) as of July 1, 2008, was amortized over a period of one year beginning July 1, 2008. Future changes in the UAAL will be amortized on an open period of one year from inception.

Condensed Financial Statements

The financial statements for the RHBP are presented below. The RHBP does not issue a separate report.

Statement of Plan Net Assets

	June 30, 2009
ASSETS	
Cash and cash equivalents	$ 1,581,284
Contribution receivable	3,751,103
Interest receivable	140,846
Long-term investments	54,649,913
Total Assets	60,123,146
Accounts payable	48,412
Total Liabilities	48,412
Net Assets	$ 60,074,734

Statement of Changes in Plan Net Assets

	June 30, 2009
ADDITIONS	
Contributions	$ 7,358,298
Investment income:	
Net realized and unrealized losses in investments	(5,948,126)
Dividends and interest	1,526,275
Total Investment Income	(4,421,851)
Total Additions to Net Assets	2,936,447
DEDUCTIONS	
Benefit expenses	1,786,742
Administrative expenses	135,938
Total Deductions	1,922,680
Increase in Net Assets	1,013,767
Net Assets - Beginning of Year	59,060,967
Net Assets - End of Year	$ 60,074,734

NOTES TO THE CONDENSED OPEB FINANCIAL STATEMENTS

Plan Provisions

The Plan is described in detail above and includes the plan provisions and the authority for plan changes.

Summary of Significant Accounting Policies

Basis of Accounting The financial statements shown above are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which the contributions are due, and the District has made a formal commitment to provide the contributions. Benefits expenses are recognized when due and payable.

Investments Investments are reported at fair value. The Plan retains a separate investment manager for its investment portfolios.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The District has received State and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material, except as discussed below.

Construction Project Commitments

The District entered into several construction commitments ranging from $1,900 to $15,541,159 for a total of $45,135,687. Subsequent to June 30, 2009, the District entered into several additional construction commitments ranging from $10,441 to $357,004 for a total of $810,803.

Other Contingencies

A construction contractor has filed action against the District contending it is entitled to retention funds, interest, and other fees and costs. The contractor has asserted that he is entitled to damages of up to $1,500,000. The District vigorously denies liability. As a result, Management has not accrued any liability associated with this action.

The District is involved in claims and other litigation arising in the normal course of business. Management estimates that these matters will be resolved without material adverse financial effect on the District.

16. JOINT POWERS AGREEMENTS

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

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

The District is a participant in 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. NCRPSTA is governed by a Board of Directors comprised of a representative from each of the member agencies. NCRPSTA operates with a budget that must be adopted annually by the governing boards of each member agency.

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

	June 30, 2008		June 30, 2007
	SELF (Audited)	**ASCIP (Audited)**	**NCRPSTA (Audited)**
Total assets	$238,680,000	$215,712,557	$ 10,104,271
Total liabilities	189,962,000	130,986,429	4,591,218
Net Assets	$ 48,718,000	$ 84,726,128	$ 5,513,053
Total revenues	$ 41,599,000	$180,665,803	$ 6,097,467
Total expenses	22,991,000	160,805,930	3,114,130
Total Change in Net Assets	$ 18,608,000	$ 19,859,873	$ 2,983,337

17. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made.

The District has established a risk management program for dental, liability, property, and workers' compensation. Premiums are paid into the internal service fund by other funds and are available to pay claims, claim reserves, and administrative costs of the program. Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The liabilities for liability, property, and workers' compensation claims are included as accounts payable totaling $7,348,024 and are not discounted. The liabilities for dental are included as other accrued liabilities totaling $441,377 and are not discounted. The risk management reserve balance of $1,736,275 is included in unrestricted net assets in the financial statements.

Changes in the reserve for insurance claims for June 30, 2009 and 2008, are as follows:

	2009	2008
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	$ 10,045,476	$ 8,919,518
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current year	2,521,987	3,446,260
Decreases in provision for insured events of prior years	(1,875,815)	(1,715,393)
Total Incurred Claims and Claim Adjustment Expenses	646,172	1,730,867
Less payments:		
Claims and claim adjustment expenses attributable to insured events of the current years	303,298	189,886
Claims and claim adjustment expenses attributable to insured events of prior years	1,304,053	415,023
Total Payments	1,607,351	604,909
Total Unpaid Claims and Claim Adjustment Expenses - End of Year	$ 9,084,297	$ 10,045,476

18. SUBSEQUENT EVENT

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

19. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The District adopted the provisions of GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The statement establishes accounting and financial reporting standards for related-party transactions, subsequent events, and going concern considerations.

SUPPLEMENTAL INFORMATION

The District, a political subdivision of the State of California, was established on July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass portions of Sacramento, Yolo, El Dorado, Placer, and Solano Counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocational training at American River College, Cosumnes River College, Folsom Lake College, and Sacramento City College.

GOVERNING BOARD

Name	Office	Term Expires
Pamela Haynes	President	2012
Kay Albiani	Vice President	2012
Ann Blackwood	Member	2010
Terry Cochran	Member	2012
Ruth Scribner	Member	2012
Robert Jones	Member	2010
Bruce Pomer	Member	2010
Brandon Kleine	Student Member	2010

DISTRICT ADMINISTRATION

Dr. Brice W. Harris
Chancellor

Jon Sharpe
Deputy Chancellor

Dr. William V. Karns
Vice Chancellor, Education
and Technology

Dr. Sandra Kirschenmann
Vice Chancellor, Resource Development
and Planning

Dr. Robert Harris
Vice Chancellor, Capital Unity Council Executive Director

COLLEGE ADMINISTRATION

Dr. David Viar
President, American River College

Dr. Celia Esposito-Noy
Interim President, Cosumnes River College

Dr. Thelma Scott-Skillman
President, Folsom Lake Center

Dr. Kathryn E. Jeffery
President, Sacramento City College

The full-time equivalent resident students eligible for 2008-09 State apportionment reported to the State of California as of June 30, 2009, are summarized below:

	Report
SUMMER INTERSESSION (Summer 2008 only)	
Noncredit	50.78
Credit	4,254.61
SUMMER INTERSESSION (Summer 2009 - Prior to July 1, 2009)	
Noncredit	-
Credit	121.73
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly census contact hours	42,193.73
Daily census contact hours	3,790.52
Actual Hours of Attendance Procedure Courses	
Noncredit	760.49
Credit	3,275.01
Independent Study/Work Experience Courses	
Weekly census contact hours	3,135.17
Daily census contact hours	1,361.90
Noncredit independent study/distance education courses	-
Total Full-Time Equivalent Students	58,943.94

SUPPLEMENTAL INFORMATION (Subset of above information)	
IN-SERVICE TRAINING COURSES FULL-TIME EQUIVALENT STUDENTS	1,945.78
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	-
Credit	3,675.89
CDCP NONCREDIT FTES	-
CENTERS FTES	
Noncredit	11.84
Credit	4,079.37

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	CFDA Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. DEPARTMENT OF EDUCATION			
Pell Grants		84.063	$ 50,490,030
Supplemental Educational Opportunity Grants		84.007	1,657,307
College Work Study		84.033	1,157,253
Academic Competitive Grants		84.375	252,805
Total U.S. Department of Education			53,557,395
U.S. DEPARTMENT OF LABOR			
GreenForce		17.269	31,896
Total U.S. Department of Labor			31,896
OTHER			
National Science Foundation		47.076	419,420
Department of Veteran Affairs		64.125	11,728
Americorp		94.006	352,273
Total Other			783,421
Federal Awards Passed Through Other Agencies			
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Career and Technical Education - Basic Grants to States (Perkins IV) - Title IB - State Leadership	08-161-001 / 08-0381	84.048	336,232
Career and Technical Education - Basic Grants to States (Perkins IV) - Title IC - Basic Grants	07-C01-028 / 06-C01-028	84.048	3,927,945
Tech-Prep Education - Title II	08-139-040 / CN088317 / CN066691	84.243	475,857
Passed Through Butte Community College			
Career and Technical Education - Basic Grants to States (Perkins IV) - Title IB - State Leadership	07-342-008	84.048	48,224
Passed Through Department of Rehabilitation			
Workability III	26714	84.126	207,315
Total U.S. Department of Education			4,995,573
U.S. SMALL BUSINESS ADMINISTRATION			
Passed Through CSU, Chico Research Foundation			
Small Business Development	Sub 08-010 / Sub 09-007	59.037	125,435
Balance Forward			$ 59,493,720

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	CFDA Number	Federal Expenditures
Balance Brought Forward			$ 59,493,720
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through San Francisco Community College			
California Early Childhood Mentor Program	8079	93.575	15,697
Passed Through Yosemite Community College			
Child Care Access	ARC 08-09 7694 / CRC 08-09-4821 / CRC 08-09-D4821 / SCC 08-09-4114 / SCC 08-09-D4114	93.575	99,824
Passed Through Foundation for California Community Colleges			
Temporary Assistance to Needy Families - Child Development Careers Program	ARC-0810-01 / CRC 0810-10	93.575	72,541
Passed Through Sacramento County, Department of Human Assistance			
CalWORKS Liaison Counselor	DHA-CW-47-08/A1	93.561	58,292
Passed Through Chancellor's Office			
Vocational and Applied Technology Education Act - Title IVE - Foster Care Program	None	93.658	172,687
Temporary Assistance to Needy Families	None	93.558	420,024
Passed Through Community College Foundation			
Independent Living Program	None	93.674	780
Passed Through CSU, Sacramento			
National Institute of Health	507625MC07	93.906	722
Total U.S. Department of Health and Human Services			840,567
U.S. DEPARTMENT OF LABOR			
Passed Through California Department of Education			
Workforce Investment Act - Youth Activities	R970353-06	17.259	2,037
Workforce Investment Act - Nursing Program	05-109-01 / 05-110-01	17.261	869,286
Total U.S. Department of Labor			871,323
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Care Food Program	1502-3A	10.558	106,494
Total U.S. Department of Agriculture			106,494
DEPARTMENT OF TRANSPORTATION			
SBDC (Small Business Development Center) CalTrans Augment	08-311-001	20.205	14,011
Total U.S. Department of Transportion			14,011
Total Expenditures of Federal Awards			$ 61,326,115

See the accompanying notes to the supplemental information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Los Rios Community College District

June 30, 2009

	Program Entitlements			Program Revenues				
	Current Year	**Prior-Year Carryover**	**Total**	**Cash Received**	**Accounts Receivable**	**Deferred Revenue**	**Total**	**Program Expenditures**
CATEGORICAL APPORTIONMENTS								
Extended opportunity program and services	$ 4,639,007	$ -	$ 4,639,007	$ 4,639,007	$ -	$ 264,983	$ 4,374,024	$ 4,374,024
Cooperative agency resource education	763,627	(500)	763,127	763,127	-	51,059	712,068	712,068
Disabled students program and services	4,676,867	100,391	4,777,258	4,682,759	72,300	106,090	4,648,969	4,648,969
Board financial assistance	2,355,735	104,130	2,459,865	2,459,865	-	166,894	2,292,971	2,292,971
Economic development	2,665,921	556,279	3,222,200	2,639,297	260,555	413,613	2,486,239	2,486,239
Career Technical Education	2,456,558	1,910,764	4,367,322	4,634,190	-	2,839,118	1,795,072	1,795,072
Faculty and staff development	-	96,372	96,372	96,372	-	-	96,372	96,372
Faculty and staff diversity	42,077	8,783	50,860	50,860	-	19,673	31,187	31,187
Telecommunications and technology	144,144	477,524	621,668	621,666	-	241,573	380,093	380,093
Matriculation	4,583,157	4,254	4,587,411	4,587,410	-	274,698	4,312,712	4,312,712
Instructional equipment (on-going)	553,819	1,706,164	2,259,983	2,259,981	-	1,065,659	1,194,322	1,194,322
CalWORKS	2,770,340	3,154	2,773,494	2,773,495	-	1,002	2,772,493	2,772,493
Subtotal	25,651,252	4,967,315	30,618,567	30,208,029	332,855	5,444,362	25,096,522	25,096,522
CATEGORICAL PROGRAM ALLOWANCES								
Cal grant	4,359,220	-	4,359,220	4,336,786	-	141,698	4,195,088	4,195,088
CDC food program	8,375	-	8,375	5,635	867	-	6,502	6,502
CDC school age resource grant	2,008	-	2,008	-	2,008	-	2,008	2,008
CDC California child care	1,518,220	-	1,518,220	1,164,371	200,401	-	1,364,772	1,364,772
CDC infant/toddler resource grant	5,731	-	5,731	1,433	4,298	-	5,731	5,731
CDC repair and renovation	2,566	44,597	47,163	40,591	1,441	-	42,032	42,032
Capital outlay projects	-	31,995,735	31,995,735	1,022,333	3,317,601	-	4,339,934	4,339,934
Foster care program	169,566	3,982	173,548	132,740	39,949	-	172,689	172,689
Scheduled maintenance and special repairs	553,869	2,122,200	2,676,069	2,676,068	-	1,219,003	1,457,065	1,457,065
California high school exit exam preparation	498,856	416,400	915,256	325,575	-	55,403	270,172	270,172
First Five California	95,814	7,185	102,999	54,739	21,717	-	76,456	76,456
Instructional materials grant	3,506	-	3,506	-	3,506	-	3,506	3,506
Other	2,316,163	1,199,969	3,516,132	3,117,583	355,276	1,370,435	2,102,424	2,102,424
Subtotal	9,533,894	35,790,068	45,323,962	12,877,854	3,947,064	2,786,539	14,038,379	14,038,379
Total State Programs	$ 35,185,146	$ 40,757,383	$ 75,942,529	$ 43,085,883	$ 4,279,919	$ 8,230,901	$ 39,134,901	$ 39,134,901

See the accompanying notes to the supplemental information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
June 30, 2009

There were no adjustments or reclassifications necessary to reconcile the annual financial and budget report with the audited statement of net assets and statement of revenues, expenses and changes in net assets, other than those items related to GASB Statements 31, 34, and 35.

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – 2009 BUDGET TO 2010 BUDGET – GENERAL FUND

June 30	2008-09 Final Budget (Actual)	2009-10 Adopted Budget	Change Increase (Decrease)
REVENUE			
Federal	$ 8,453,195	$ 13,292,259	$ 4,839,064
State	224,355,104	207,316,234	(17,038,870)
Local	90,621,711	96,205,842	5,584,131
Other (restricted and nonrestricted)	22,047	10,219	(11,828)
Total Revenue	323,452,057	316,824,554	(6,627,503)
EXPENSES			
Certificated salaries	137,050,115	135,716,511	(1,333,604)
Classified salaries	70,632,716	70,631,324	(1,392)
Employee benefits	56,552,827	55,907,170	(645,657)
Books, supplies, and materials	8,362,158	11,444,980	3,082,822
Contract services and operating expenses	30,692,121	41,834,359	11,142,238
Auxiliary activities	19,688	25,000	5,312
Capital outlay	4,557,527	4,921,698	364,171
Total Expenses	307,867,152	320,481,042	12,613,890
EXCESS OF REVENUES OVER (UNDER) EXPENSES	15,584,905	(3,656,488)	(19,241,393)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	792,315	1,039,201	246,886
Operating transfer out	(15,450,915)	(11,360,076)	4,090,839
Total Other Financing Sources (Uses)	(14,658,600)	(10,320,875)	4,337,725
EXCESS REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENSES	926,305	(13,977,363)	(14,903,668)
Net Assets - Beginning of Year	28,616,436	29,542,741	926,305
Net Assets - End of Year	$ 29,542,741	$ 15,565,378	$ (13,977,363)

	General	Special Revenue Child Development	Special Revenue Inst. Rel. and Financial Aid	Capital Projects (Governmental Fund Types)	Debt Service (Governmental Fund Types)	Enterprise (Proprietary Fund Types)	Internal Service (Proprietary Fund Types)	Trust and Agency	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	$ 32,494,650	$ 425,041	$ 884,154	$ 94,357,835	$ 15,304,978	$ 796,877	$ 9,989,611	$ 519,520	$ 154,772,666	$ (20,810,323)	$ 133,962,343
Short-term investments	6,060,900	-	267,113	-	-	-	47	203,238	6,531,298	642	6,531,940
Accounts receivable - net	37,421,684	225,898	2,418,587	3,808,080	-	1,381,027	-	-	45,255,276	89,227	45,344,503
Interest receivable	472,928	8,701	7,483	774,732	264,467	10,827	74,879	748	1,614,765	(130,737)	1,484,028
Stores inventory	-	-	-	-	-	2,005,376	-	-	2,005,376	-	2,005,376
Prepaid expenditures	1,882,853	-	-	-	-	62,598	205,401	-	2,150,852	-	2,150,852
Due from other funds	4,082,653	262	29,052	2,617,258	4,807	3,385	269,216	-	7,006,633	(7,006,633)	-
Total Current Assets	82,415,668	659,902	3,606,389	101,557,905	15,574,252	4,260,090	10,539,154	723,506	219,336,866	(27,857,824)	191,479,042
NONCURRENT ASSETS											
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	29,270,771	29,270,771
Long-term investments	-	-	30,000	5,999,153	532,588	9,422,634	-	-	15,984,375	(5,990,805)	9,993,570
Restricted investments	-	-	-	-	7,335,907	-	-	-	7,335,907	(1,175,833)	6,160,074
Accounts receivable	-	-	-	304,920	-	-	-	-	304,920	-	304,920
Deferred charges	-	-	-	-	-	-	-	-	-	1,316,629	1,316,629
Capital assets - net	-	-	-	-	-	1,034,133	-	-	1,034,133	397,734,973	398,769,106
Total Noncurrent Assets	-	-	30,000	6,304,073	7,868,495	10,456,767	-	-	24,659,335	421,155,735	445,815,070
Total Assets	$ 82,415,668	$ 659,902	$ 3,636,389	$ 107,861,978	$ 23,442,747	$ 14,716,857	$ 10,539,154	$ 723,506	$ 243,996,201	$ 393,297,911	$ 637,294,112

				Governmental Fund Types		Proprietary Fund Types					
	General	**Special Revenue Child Development**	**Special Revenue Inst. Rel. and Financial Aid**	**Capital Projects**	**Debt Service**	**Enterprise**	**Internal Service**	**Trust and Agency**	**Totals**	**Reconciling Adjustments/ Eliminations**	**Statement of Net Assets**
LIABILITIES											
CURRENT LIABILITIES											
Accounts payable	$ 9,072,872	$ 13,242	$ 22,821	$ 5,743,382	$ 27,286	$ 138,416	$ 7,632,151	$ 165,409	$ 22,815,579	$ -	$ 22,815,579
Accrued salaries and related benefits	17,706,471	145,632	-	-	-	-	-	-	17,852,103	-	17,852,103
Interest payable	52,723	-	279	-	2,887,338	-	-	-	2,940,340	-	2,940,340
Deferred revenue	16,902,231	-	270,999	2,554,982	-	-	-	-	19,728,212	-	19,728,212
Compensated absences payable - current	217,711	183,927	-	-	14,610,123	146,211	29,115	-	15,187,087	(10,054,783)	5,132,304
Other accrued liabilities	192,640	-		-	-	-	441,377	-	634,017	1,007,617	1,641,634
Amounts held in trust for others	540,040	-	-	-	-	74,848	-	558,097	1,172,985	-	1,172,985
Tax revenue anticipation notes	6,060,900	-	-	-	-	-	-	-	6,060,900	-	6,060,900
Long-term liabilities - current portion	-	-	-	-	-	-	-	-	-	4,934,011	4,934,011
Due to other funds	2,127,339	107,472	2,136,423	736,744	352,267	1,764,542	700,236	-	7,925,023	(7,925,023)	-
Total Current Liabilities	52,872,927	450,273	2,430,522	9,035,108	17,877,014	2,124,017	8,802,879	723,506	94,316,246	(12,038,178)	82,278,068
NONCURRENT LIABILITIES											
Compensated absences payable	-	-	-	-	-	-	-	-	-	10,054,783	10,054,783
Long-term debt	-	-	-	-	-	-	-	-	-	154,714,479	154,714,479
Total Noncurrent Liabilities	-	-	-	-	-	-	-	-	-	164,769,262	164,769,262
Total Liabilities	$ 52,872,927	$ 450,273	$ 2,430,522	$ 9,035,108	$ 17,877,014	$ 2,124,017	$ 8,802,879	$ 723,506	$ 94,316,246	$ 152,731,084	$ 247,047,330

	General	Special Revenue Child Development	Special Revenue Inst. Rel. and Financial Aid	Governmental Fund Types: Capital Projects	Governmental Fund Types: Debt Service	Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Trust and Agency	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
NET ASSETS											
Invested in capital assets - net of related debt	$ -	$ -	$ -	$ -	$ -	$ 1,034,133	$ -	$ -	$ 1,034,133	$ 253,259,395	$ 254,293,528
Restricted for:											
Expendable:											
Scholarships and loans	-	-	657,285	-	-	-	-	-	657,285	-	657,285
Capital projects	-	-	-	17,539,610	-	-	-	-	17,539,610	(13,607,272)	3,932,338
Debt service	-	-	-	-	5,565,733	-	-	-	5,565,733	179,246	5,744,979
Other special purposes	2,398,417	-	185,697	-	-	-	-	-	2,584,114	-	2,584,114
Designated for:											
Reserve for noncash assets	1,998,953	-	100	-	-	2,242,651	-	-	4,241,704	-	4,241,704
Encumbrances and other commitments	12,235,741	-	-	-	-	-	-	-	12,235,741	-	12,235,741
Capital and other projects	-	-	-	75,232,996	-	7,551,393	-	-	82,784,389	-	82,784,389
Unrestricted	12,909,630	209,629	362,785	6,054,264	-	1,764,663	1,736,275	-	23,037,246	735,458	23,772,704
Total Net Assets	29,542,741	209,629	1,205,867	98,826,870	5,565,733	12,592,840	1,736,275	-	149,679,955	240,566,827	390,246,782
Total Liabilities and Net Assets	$ 82,415,668	$ 659,902	$ 3,636,389	$ 107,861,978	$ 23,442,747	$ 14,716,857	$ 10,539,154	$ 723,506	$ 243,996,201	$ 393,297,911	$ 637,294,112

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND

June 30, 2009

				Governmental Fund Types		Proprietary Fund Types				
June 30, 2009	General	Special Revenue Child Development	Special Revenue Inst. Rel. and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Totals	Reconciling Adjustments/ Eliminations	Reconciled Total
REVENUES										
Federal	$ 8,453,195	$ 106,501	$ 52,752,415	$ -	$ -	$ -	$ -	$ 61,312,111	$ -	$ 61,312,111
State	224,355,104	1,793,544	4,195,088	5,796,999	-	-	-	236,140,735	-	236,140,735
Local	89,254,487	254,497	161,889	2,091,162	11,085,522	-	-	102,847,557	(228,549)	102,619,008
Operation	309,154	-	-	-	-	19,952,441	5,328,396	25,589,991	(5,246,354)	20,343,637
Interest and other	1,080,117	17,885	21,914	3,618,852	481,597	210,100	291,324	5,721,789	(286,488)	5,435,301
Total Revenues	$ 323,452,057	$ 2,172,427	$ 57,131,306	$ 11,507,013	$ 11,567,119	$ 20,162,541	$ 5,619,720	$ 431,612,183	$ (5,761,391)	$ 425,850,792

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND
June 30, 2009

	Governmental Fund Types					Proprietary Fund Types				
June 30, 2009	General	Special Revenue Child Development	Special Revenue Inst. Rel. and Financial Aid	Capital Projects	Debt Service	Enterprise	Internal Service	Totals	Reconciling Adjustments/ Eliminations	Reconciled Total
EXPENDITURES										
Certificated salaries	$ 137,050,115	$ -	$ -	$ -	$ -	$ -	$ -	$ 137,050,115	$ -	$ 137,050,115
Classified salaries	70,632,716	2,175,614	-	-	-	2,458,618	151,057	75,418,005	-	75,418,005
Employee benefits	56,552,827	989,953	-	-	-	630,068	51,914	58,224,762	(1,607,737)	56,617,025
Books, supplies, and materials	8,362,158	144,698	22,163	-	-	-	-	8,529,019	(169,026)	8,359,993
Cost of goods sold	-	-	-	-	-	14,374,952	-	14,374,952	-	14,374,952
Contract services and operating expenses	30,692,121	18,063	215,102	2,917,107	-	783,713	5,416,749	40,042,855	(4,017,820)	36,025,035
Capital outlay	4,557,527	35,316	-	53,994,305	-	-	-	58,587,148	(58,587,148)	-
Depreciation	-	-	-	-	-	194,457	-	194,457	19,816,057	20,010,514
Auxiliary activities	19,688	-	60,090,057	12,211	11,668,891	-	-	71,790,847	(4,703,167)	67,087,680
Total Expenditures	307,867,152	3,363,644	60,327,322	56,923,623	11,668,891	18,441,808	5,619,720	464,212,160	(49,268,841)	414,943,319
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,584,905	(1,191,217)	(3,196,016)	(45,416,610)	(101,772)	1,720,733	-	(32,599,977)	43,507,450	10,907,473
OTHER FINANCING SOURCES (USES)										
Operating transfers in	792,315	1,346,723	3,230,570	11,929,351	320,000	-	-	17,618,959	(17,618,959)	-
Operating transfers out	(15,450,915)	-	(4,012)	(154,953)	(352,267)	(1,661,248)	-	(17,623,395)	17,623,395	-
Total Other Financing Sources (Uses)	(14,658,600)	1,346,723	3,226,558	11,774,398	(32,267)	(1,661,248)	-	(4,436)	4,436	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	926,305	155,506	30,542	(33,642,212)	(134,039)	59,485	-	(32,604,413)	43,511,886	10,907,473
Net Assets - Beginning of Year	28,616,436	54,123	1,175,325	132,469,082	5,699,772	12,533,355	1,736,275	182,284,368	197,054,941	379,339,309
Net Assets - End of Year	$ 29,542,741	$ 209,629	$ 1,205,867	$ 98,826,870	$ 5,565,733	$ 12,592,840	$ 1,736,275	$ 149,679,955	$ 240,566,827	$ 390,246,782

The District's total program-based funding for the fiscal year is as follows:

Fiscal Year	Average Program-Based Funding per FTES	Funded Full-Time Equivalent Students (FTES)	Total Program-Based Funding
2008-09	$ 4,809	53,062	$ 255,176,608

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

Fiscal Year	Secured Tax Charge	Amount Collected June 30	% Collected
2007-08	$ 7,895,817	$ 7,529,090	95%

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

2008-09 assessed valuation	$ 162,099,904,433
Less: Unsecured and utility valuations	6,678,308,708
Secured Assessed Valuation	$ 155,421,595,725

Property Owner	2008-09 Assessed Valuation
1. Intel Corporation	$ 567,788,489
2. Aerojet General Corp.	$ 261,890,728
3. Donahue Schriber Realty Group LP	$ 256,786,557
4. Hines VAF II Sacramento Properties LP	$ 236,211,600
5. Hines Sacramento Wells Fargo Center	$ 228,541,870
6. Teachers Insurance and Annuity Association	$ 214,400,384
7. Ronald P. and Maureen A. Ashley	$ 155,496,849
8. JB Management LP	$ 149,630,692
9. 300 Capitol Associates NF LP	$ 132,810,200
10. Arden Fair Associates	$ 127,541,415

1. PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionments

Full-time equivalent students (FTES) is a measurement of the number of students 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 are made to community college districts.

Schedule of Expenditures of Federal and State Awards

This schedule is prepared on the modified accrual basis of accounting. U.S. Office of Management and Budget (OMB) Circular A-133 requires disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and State requirements.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

OTHER REPORTS

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

To the Members of the Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited the financial statements of the business-type activities and the discretely presented component unit of Los Rios Community College District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 09-1.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response; and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, the federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 2, 2009

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the Board of Trustees
Los Rios Community College District
Sacramento, California

Compliance

We have audited the compliance of Los Rios Community College District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-1.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**
Continued

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, the federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 2, 2009

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Members of the Board of Trustees
Los Rios Community College District
Sacramento, California

We have audited the financial statements of the business-type activities and the discretely presented component unit of Los Rios Community College District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

SALARIES OF CLASSROOM INSTRUCTORS: 50% LAW

APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

STATE GENERAL APPORTIONMENT FUNDING SYSTEM

RESIDENCY DETERMINATION FOR CREDIT COURSES

STUDENTS ACTIVELY ENROLLED

CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES

USES OF MATRICULATION FUNDS

GANN LIMIT CALCULATION

ENROLLMENT FEE

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

SCHEDULED MAINTENANCE PROGRAM

OPEN ENROLLMENT

STUDENT FEES - INSTRUCTIONAL MATERIALS AND HEALTH FEES

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Continued

Based on our audit, for the items tested, we found the District complied with the State laws and regulations referred to above, except as described in the schedule of findings and questioned costs. Further, based on our examination for items not tested, nothing came to our attention to indicate the District had not complied with the State laws and regulations, except as described in the accompanying schedule of findings and questioned costs as item 09-2.

This report is intended solely for the information and use of the Board of Trustees, management, the federal and State awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 2, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed relative to major federal awards programs?	Yes

Identification of major programs:

CFDA No. 84.007, 84.033, 84.063, 84.375	Student Financial Assistance Cluster
CFDA No. 84.048	Career and Technical Education – Basic Grants to States (Perkins IV)

Threshold for distinguishing types A and B programs	$1,839,783
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs	Qualified

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

FEDERAL COMPLIANCE (Student Financial Assistance)
09-1

Significant Deficiency

Condition

We determined that 31 of 256 Return to Title IV calculations at Sacramento City College campus were not done timely resulting in the District not properly depositing or transferring the return of Title IV funds to the Department of Education within the 45-day period.

Criteria

Return to Title IV funds are required to be deposited or transferred into the Student Financial Aid (SFA) account or electronic fund transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the institution determines that the student withdrew (34 CFR section 668.173(b)).

Effect

After an analysis of the population of Return to Title IV calculations, we determined that $12,054 of Return to Title IV funds were returned outside of the 45-day window between July 2008 and June 2009.

Recommendation

We recommend that the District establish procedures to ensure that the amounts to be returned to Title IV programs are issued within the required timeframe.

Response

The District has established procedures for Return of Title IV funds. Due to personnel changes at Sacramento City College and position vacancies, including the department supervisor, the established procedures were not followed early in the fiscal year, resulting in .08% of the returns to be filed after the 45 day deadline. The supervisor position has been filled and the college is putting additional steps in place to ensure that the calculations are done accurately and within the 45-day period.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE (Concurrent Enrollment)
09-2

Significant Deficiency

Condition

Nine special part-time students exceeded 11 units in a given semester and were not properly assessed enrollment fees. Five students were enrolled at a single campus while four were enrolled at multiple campuses.

Criteria

Districts are allowed to waive enrollment fees for special part-time students enrolled in no more than 11 units. Enrollment fees may be waived for these students as a group pursuant to Education Code Section 76300(f). Students enrolled in more than 11 units are considered to be special full-time students and are subject to all applicable enrollment fees. Each special full-time student may be individually considered for a BOGW.

Effect

Enrollment fee revenue was understated by approximately $3,000.

Recommendation

We recommend that the District implement procedures to monitor the enrollment of special part-time students to ensure that students enrolled in more than 11 units are properly classified as special full-time students and assessed fees for all units taken.

Response

The District has created a report that identifies all special part-time students who are enrolled in more than 11 units within the District. The District is working with the individual campuses to ensure that fees are properly assessed.

The District's corrective action plan has been issued as a separate letter.

SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL (Information Technology)
08-1

Significant Deficiency

Condition

Our observation and testing of controls over computer systems access indicated a number of conditions including duplicated profiles for users, users with more than one role, and terminated employees still active in the financial system. While we did not identify any financial statement errors or irregularities resulting from these conditions, stronger security controls are necessary.

Criteria

Application controls, such as those programmed in a software application to restrict user access, are considered critical to ensure that individual transactions or transaction classes are properly authorized, recorded and disclosed accurately in the financial statements of an entity.

Effect

The District has compensating controls in place to prevent and detect errors or irregularities that could occur from the conditions described; however, improvement of existing security controls would further minimize the risk of financial misstatement and reduce reliance on compensating controls.

Recommendation

We recommend that the District design and implement procedures to improve the security access of its financial system, including user validation, on a periodic basis.

Resolution

Substantial effort has been invested to enhance security for District applications. For the financial system, the following controls have been implemented to improve system security:

- Eliminated unauthorized multiple user accounts
- Developed nightly processes to remove access for terminated employees
- Evaluated and documented user roles and permissions to ensure access is appropriate for job function
- Developed access approval forms and procedures (pending approval)
- Created security reports for data owners to verify user validation (in process)

The District has implemented active directory scripting to deactivate non-faculty employee accounts for all District applications within 30 days of termination. Each college has assigned an information security officer to monitor security functions at their college and to help ensure compliance with Board Policy and Regulations governing security.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE (Instructional Materials Fees)
08-2

Significant Deficiency

Condition

In our testing of 15 instructional materials fees, we noted one course that charged a refundable deposit.

Criteria

Districts are allowed to require students to provide their own instructional materials under certain conditions; and in some cases, districts may require students to purchase the materials from the district. Districts may only require students to provide instructional materials which are of a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or primarily controlled by the student, and the material must not be solely or exclusively available from the District. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials which are necessary for a student's vocation training and employment (5 CCRs 54900-54908).

A "refundable deposit" amounts to a fee if it is required as a condition of registration, enrollment, or entry into classes, or as a condition of completing the required classroom objectives of a course. Therefore, statutory authority is required in order to impose such a charge on a student regardless of whether it is characterized as a "refundable deposit" or as an ordinary nonrefundable fee (Student Fee Handbook 4.10).

Effect

Since the refundable deposit is required for enrollment in the class, the District is improperly charging instructional materials fees.

Recommendation

We recommend that the District revise their processes and cease assessing refundable deposits to be in compliance with State requirements.

Resolution

As previously indicated, the District believes this instance of assessing fees to be an isolated incident. The practice of charging a refundable deposit has been stopped.