NEW ISSUE
BOOK-ENTRY ONLY

RATING: Standard & Poor's: "AA-"
Moody's: "Aa2"
(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$130,000,000
LOS RIOS COMMUNITY COLLEGE DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
2008 ELECTION, SERIES A

Dated: Date of Delivery ***Due: August 1, as shown on the inside cover***

Authority and Purpose. The above-captioned bonds (the "Bonds") are being issued by the Los Rios Community College District (the "District") to finance the acquisition, construction and rehabilitation of educational facilities as more fully described herein. The Bonds were authorized by the qualified electors in the District at an election held on November 4, 2008 at which a measure authorizing $475,000,000 in bonds was approved. See "THE BONDS – Authority for Issuance."

Security. The Bonds are general obligations of the District. The District is empowered and is obligated to levy or cause to be levied *ad valorem* taxes, without limitation of rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Payments; Book-Entry Only. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2011. The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds will be in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal of and interest on the Bonds will be paid by the County of Sacramento, Director of Finance, Sacramento, California as Paying Agent (the "Paying Agent") to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Description of the Bonds" and "-Book-Entry Only System."

Redemption. **The Bonds are subject to redemption prior to their stated maturities as described herein. See "THE BONDS - Redemption."**

MATURITY SCHEDULE
(see inside cover)

The Bonds will be offered when, as and if issued subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also acting as Disclosure Counsel to the District. It is anticipated that the Bonds in definitive form, will be available for delivery to DTC on or about October 19, 2010.

STONE & YOUNGBERG

BARCLAYS CAPITAL **DE LA ROSA & CO.**

The date of this Official Statement is September 29, 2010

MATURITY SCHEDULE

Base CUSIP†: 545624

$72,935,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2011	$ 5,600,000	2.00%	0.30%	HY7
2012	3,825,000	3.00	0.50	HZ4
2013	320,000	3.00	0.70	JA7
2014	450,000	4.00	0.88	JB5
2015	715,000	4.00	1.20	JC3
2016	1,005,000	4.00	1.49	JD1
2017	1,320,000	4.00	1.85	JE9
2018	1,650,000	4.00	2.11	JF6
2019	2,010,000	4.00	2.36	JG4
2020	2,395,000	4.00	2.57	JH2
2021	2,810,000	4.00	2.85 C	JJ8
2022	3,250,000	4.50	3.07 C	JK5
2023	3,740,000	4.75	3.17 C	JL3
2024	4,275,000	5.00	3.27 C	JM1
2025	4,860,000	5.00	3.38 C	JN9
2026	5,490,000	5.00	3.46 C	JP4
2027	6,165,000	5.00	3.55 C	JQ2
2028	6,890,000	5.00	3.64 C	JR0
2029	7,665,000	5.00	3.73 C	JS8
2030	8,500,000	5.00	3.82 C	JT6

$19,725,000 - 4.750% Term Bonds due August 1, 2032 (Yield 4.140%[C]); CUSIP†: JU3

$37,340,000 - 5.000% Term Bonds due August 1, 2035 (Yield 4.150%[C]); CUSIP†: JV1

C: Priced to the August 1, 2020 call at par.

LOS RIOS COMMUNITY COLLEGE DISTRICT
(Sacramento County, California)

District Board of Trustees[1]

District Administrative Staff

Dr. Brice W. Harris, *Chancellor*
Jon Sharpe, *Deputy Chancellor*
Theresa Matista, *Associate Vice Chancellor, Finance*
William Karns, *Vice Chancellor, Education and Technology*
Sandy Kirschenmann, *Vice Chancellor, Resource Development & Planning*
Jan Patrick Sherry, *General Counsel*

Financial Advisor

Dale Scott & Company, Inc.
San Francisco, California

Bond and Disclosure Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Paying Agent

Director of Finance
County of Sacramento
Sacramento, California

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(1) There is currently one vacancy on the Board.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Involvement of Underwriter. The Underwriter (as defined in "UNDERWRITING") has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the District Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Website. The District maintains a website at www.losrios.edu. However, the information presented on the website is not a part of this Official Statement, should not be relied upon in making an investment decision with respect to the Bonds and is not incorporated herein by reference.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

$130,000,000
LOS RIOS COMMUNITY COLLEGE DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
2008 ELECTION, SERIES A

INTRODUCTION

The above-captioned bonds (the "**Bonds**") are a portion of the bonds approved by the voters casting ballots at an election held in the Los Rios Community College District (the "**District**") on November 4, 2008 (the "**2008 Election**"). The Bonds are general obligations of the District to be issued under a resolution of the Board of Trustees of the District adopted on September 15, 2010 (the "**District Resolution**"). Proceeds from the sale of the Bonds will be used to finance the acquisition, construction and rehabilitation of educational facilities, as authorized in the specific list of projects approved in the ballot measure authorizing the Bonds.

The District

The District commenced operations on July 1, 1965. The District is a multi-campus public college district serving the greater Sacramento region totaling nearly 2 million residents. The District provides higher education instruction for the first and second years of college and vocational training. The District is the second largest community college district in the State and one of the largest in the United States, expecting to enroll over 88,000 students in credit courses in 2010-11. The District's service area includes Sacramento County (79 percent of the District's assessed valuation is located in Sacramento County) and portions of El Dorado, Yolo, Solano and Placer counties (each, a "**County**"; collectively, the "**Counties**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuation", "THE DISTRICT" and "APPENDIX D – District Financial Information."

Sources of Payment for the Bonds

The Bonds represent an obligation of the District payable solely from *ad valorem* property taxes levied and collected by the Counties. Each County has the power and is obligated to annually levy *ad valorem taxes* for the payment of the Bonds and the interest thereon upon all property within the District that is situated in such County and is subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds to be issued under provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506, and a resolution adopted by the Board of Trustees of the District on September 15, 2010 (the **"Resolution"**).

The Bonds represent part of an authorization of general obligation bonds approved by District voters at an election held on November 4, 2008 (the **"2008 Election"**). The short-form of the ballot measure is as follows:

> *"Shall the Los Rios Community College District be authorized to issue $475,000,000 million in bonds at the lowest available interest rates to improve student academic performance by building classrooms, facilities and labs throughout the district including for teaching green technologies; nursing and health care programs; architecture, engineering and construction management; computer sciences; early childhood development; and fire and police public safety programs at the American River, Cosumnes River, El Dorado, Folsom, and Sacramento City College campuses?"*

The Bonds represent the first series of bonds issued pursuant to the measure approved at the 2008 Election.

Description of the Bonds

The Bonds will be dated the date of delivery and will be issued in registered form in denominations of $5,000 or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one maturity date. The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal of and interest on the Bonds will be paid by the Director of Finance, County of Sacramento, as Paying Agent (the "**Paying Agent**") to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC, which will in turn remit such amounts to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "- Book-Entry Only System."

Interest on the Bonds is payable to the Bond Owners on February 1, 2011 and on each succeeding February 1 and August 1 (the "**Interest Payment Dates**") at the Bond Owners' addresses appearing on the bond registration books maintained by the Paying Agent as of the close of business on the 15th calendar day of the month immediately preceding each Interest

Payment Date (each, a "**Record Date**"). Principal of and premium (if any) on the Bonds is payable upon presentation and surrender of the Bonds at the office or agency of the Paying Agent in Sacramento, California. The Bonds will mature on the dates and in the amounts set forth on the inside cover of this Official Statement.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds in the name of Cede & Co., DTC's partnership nominee. One fully-registered certificate will be issued for each maturity in the aggregate principal amount of the Bonds, and will be deposited with DTC. See "Appendix H – DTC and the Book-Entry Only System."

Transfer and Exchange

Any Bond may, in accordance with its terms, be transferred by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent in Sacramento, California, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Bonds may be exchanged at the office of the Paying Agent in Sacramento, California, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent is not required to exchange or transfer any Bonds during the period established by the Paying Agent for the selection of Bonds for redemption, and the Paying Agent shall not be required to transfer or exchange any Bond selected for redemption in whole or in part. The Paying Agent may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The foregoing provisions of this paragraph are not applicable to the Bonds so long as the Bonds are maintained in the book-entry system of DTC as described above. Transfers and exchanges of ownership interests in the Bonds will be governed by the rules of DTC as described above so long as the Bonds are maintained in book-entry form.

Redemption

<u>Optional Redemption</u>. The Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 2021 are subject to redemption at the option of the District, as a whole or in part among maturities on such basis as designated by the District and by lot within each maturity, from any source of available funds, on any date on or after August 1, 2020, at a redemption price equal to the principal amount to be redeemed, plus accrued interest thereon to the redemption date, without premium.

<u>Mandatory Sinking Fund Redemption</u>. The Bonds maturing on August 1, 2032 and on August 1, 2035, are Term Bonds which are subject to mandatory sinking fund redemption on August 1 of each of the years and in the principal amounts designated in the following table, by lot, at a redemption price equal to the principal amount to be redeemed without premium, together with accrued interest thereon to the date fixed for redemption.

$19,725,000 Term Bonds due August 1, 2032

Sinking Fund Redemption Date (August 1)	Principal Amount To Be Redeemed
2031	$ 9,395,000
2032 (maturity)	10,330,000

$37,340,000 Term Bonds due August 1, 2035

Sinking Fund Redemption Date (August 1)	Principal Amount To Be Redeemed
2033	$11,330,000
2034	12,420,000
2035 (maturity)	13,590,000

If some but not all of the Term Bonds have been redeemed as described in "Optional Redemption" above, the aggregate principal amount of the Term Bonds to be redeemed in each year will be reduced on a pro rata basis in integral multiples of $5,000, or as otherwise directed by the District.

Selection of Bonds for Redemption. Whenever less than all of the outstanding Bonds of any one maturity are to be redeemed, the Paying Agent shall select the Bonds of such maturity to be redeemed by lot, and the Paying Agent shall promptly notify the District in writing of the numbers of the Bonds so selected for redemption on such date. For purposes of such selection, Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Mailing of the notice described in the previous sentence is not a condition precedent to redemption and the failure to receive the notice will not affect the validity of the proceedings for the redemption of the Bonds.

In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to each of the Securities Depositories at least two days prior to such mailing to the owners of the Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then Bonds are to be called for redemption, will designate the Bonds to be redeemed, and will require that the Bonds to be redeemed be surrendered at the Office of the Paying Agent for redemption.

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds called for redemption have been provided, the Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue on or after the redemption date.

So long as the Bonds are maintained in the book-entry system of DTC as described above, notice of redemption will be given to DTC as the registered owner of the Bonds, and DTC will in turn give notice to the Participants in accordance with the rules of DTC.

Payment

Principal (or redemption price) of any Bond is payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent. Interest on the Bonds is payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, whether or not such day is a business day. Interest on the Bonds will be paid by check mailed to each Bond owner at such owner's address as it appears on the registration books maintained by the Paying Agent, or upon written request of the owner of Bonds aggregating not less than $1,000,000 in principal amount, such request having been made before the Record Date immediately preceding an Interest Payment Date, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such owner specifies in its written notice. However, as long as Bonds are held in book-entry form only, interest payments will be made by the Paying Agent in immediately payable funds to DTC.

Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, will render its opinion approving the validity of the Bonds upon the original issuance of the Bonds, and the original purchaser of the Bonds and all owners of the Bonds will be entitled to rely on the opinion. The proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix B.

Discharge of Bonds

The District has the option under the District Resolution of defeasing and discharging the Bonds, at any time, by making a deposit with the Paying Agent in an amount which, when invested in non-callable Federal Securities, is sufficient to pay the principal of and interest on the Bonds when due, including the premium required to be paid upon any redemption of the Bonds. The District Resolution defines Federal Securities to be United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America. The sufficiency of such deposit to make such payments is required to be verified by a certified public accountant under certain circumstances. Upon making such deposit, the Bonds will be payable solely from the amounts set aside with the Paying Agent, and all other obligations of the District with respect to the security for the Bonds will cease and terminate.

PLAN OF FINANCE

The Purpose of the Bonds

The District will use the proceeds of the Bonds to finance the acquisition, construction and rehabilitation of educational facilities, as authorized in the specific list of projects approved in the ballot measure authorizing the bonds. See "THE BONDS – Authority for Issuance."

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds are set forth below:

Sources of Funds	
Principal Amount of Bonds	$130,000,000.00
Plus: Original Issue Premium	11,213,628.15
Total Sources	*$141,213,628.15*
Uses of Funds	
Deposit to Building Fund	$130,000,000.00
Deposit to Debt Service Fund	10,339,666.04
Costs of Issuance	873,962.11
Total Uses	*$141,213,628.15*

(1) Costs of Issuance include financial advisory fees, legal fees, underwriters' discount, printing costs, rating agency fees and other miscellaneous costs and expenses of issuing the Bonds.

Annual Debt Service On the Bonds

The following table presents a schedule of the debt service for the Bonds.

Table 1
LOS RIOS COMMUNITY COLLEGE DISTRICT
DEBT SERVICE SCHEDULE
2008 ELECTION, SERIES A BONDS

Year Ending August 1	Principal	Interest	Total
2011	$ 5,600,000	$ 4,739,666.04	$ 10,339,666.04
2012	3,825,000	5,938,637.50	9,763,637.50
2013	320,000	5,823,887.50	6,143,887.50
2014	450,000	5,814,287.50	6,264,287.50
2015	715,000	5,796,287.50	6,511,287.50
2016	1,005,000	5,767,687.50	6,772,687.50
2017	1,320,000	5,727,487.50	7,047,487.50
2018	1,650,000	5,674,687.50	7,324,687.50
2019	2,010,000	5,608,687.50	7,618,687.50
2020	2,395,000	5,528,287.50	7,923,287.50
2021	2,810,000	5,432,487.50	8,242,487.50
2022	3,250,000	5,320,087.50	8,570,087.50
2023	3,740,000	5,173,837.50	8,913,837.50
2024	4,275,000	4,996,187.50	9,271,187.50
2025	4,860,000	4,782,437.50	9,642,437.50
2026	5,490,000	4,539,437.50	10,029,437.50
2027	6,165,000	4,264,937.50	10,429,937.50
2028	6,890,000	3,956,687.50	10,846,687.50
2029	7,665,000	3,612,187.50	11,277,187.50
2030	8,500,000	3,228,937.50	11,728,937.50
2031	9,395,000	2,803,937.50	12,198,937.50
2032	10,330,000	2,357,675.00	12,687,675.00
2033	11,330,000	1,867,000.00	13,197,000.00
2034	12,420,000	1,300,500.00	13,720,500.00
2035	13,590,000	679,500.00	14,269,500.00
Total	$130,000,000	$110,735,441.04	$240,735,441.04

Combined Debt Service

The following table presents the combined debt service schedules for the general obligation bonds authorized at the 2002 Election, which are the District's only outstanding general obligation bonds, consisting of the Series B Bonds, Series C Bonds, Series D Bonds, and the 2010 Refunding Bonds to be issued on or about October 7, 2010 to refund the 2002 Election Series A Bonds; together with debt service for the 2008 Election, Series A Bonds.

Table 2
LOS RIOS COMMUNITY COLLEGE DISTRICT
COMBINED DEBT SERVICE SCHEDULES
ELECTION OF 2002 and Election of 2008

Year Ending August 1	2002 Election Series B Debt Service	2002 Election Series C Debt Service	2002 Election Series D Debt Service	2010 Refunding Bonds Debt Service	2008 Election Series A Debt Service	Total
2011	$4,509,381.26	$5,021,750.00	$3,965,856.26	$ 1,758,270.42	$ 10,339,666.04	$25,594,923.98
2012	4,536,831.26	5,026,750.00	3,967,756.26	1,738,825.00	9,763,637.50	25,033,800.02
2013	4,566,581.26	5,032,925.00	3,965,356.26	1,741,675.00	6,143,887.50	21,450,425.02
2014	4,598,481.26	5,018,212.50	3,965,956.26	1,747,975.00	6,264,287.50	21,594,912.52
2015	4,604,418.76	5,026,100.00	3,964,968.76	1,754,175.00	6,511,287.50	21,860,950.02
2016	4,634,793.76	5,029,525.00	3,966,968.76	1,764,325.00	6,772,687.50	22,168,300.02
2017	4,621,793.76	5,038,487.50	3,965,218.76	1,767,925.00	7,047,487.50	22,440,912.52
2018	4,608,043.76	5,042,562.50	3,965,818.76	1,779,725.00	7,324,687.50	22,720,837.52
2019	4,598,293.76	5,051,750.00	3,967,068.76	1,784,325.00	7,618,687.50	23,020,125.02
2020	4,582,043.76	5,034,250.00	3,969,068.76	1,786,925.00	7,923,287.50	23,295,575.02
2021	4,594,843.76	5,020,500.00	3,966,568.76	1,786,350.00	8,242,487.50	23,610,750.02
2022	4,612,243.76	5,005,000.00	3,964,418.76	1,794,750.00	8,570,087.50	23,946,500.02
2023	4,628,843.76	4,987,500.00	3,967,843.76	1,797,250.00	8,913,837.50	24,295,275.02
2024	4,614,593.76	4,972,750.00	3,965,493.76	1,801,250.00	9,271,187.50	24,625,275.02
2025	4,592,343.76	4,955,250.00	3,967,368.76	1,806,500.00	9,642,437.50	24,963,900.02
2026	4,577,093.76	4,934,750.00	3,967,943.76	1,808,500.00	10,029,437.50	25,317,725.02
2027	4,558,093.76	4,916,000.00	3,966,956.26	1,816,500.00	10,429,937.50	25,687,487.52
2028	4,535,093.76	4,893,500.00	3,969,143.76	--	10,846,687.50	24,244,425.02
2029	--	4,872,000.00	3,968,981.26	--	11,277,187.50	20,118,168.76
2030	--	4,851,000.00	3,968,481.26	--	11,728,937.50	20,548,418.76
2031	--	--	3,964,275.00	--	12,198,937.50	16,163,212.50
2032	--	--	3,966,468.76	--	12,687,675.00	16,654,143.76
2033	--	--	3,964,256.26	--	13,197,000.00	17,161,256.26
2034	--	--	3,967,368.76	--	13,720,500.00	17,687,868.76
2035	--	--	--	--	14,269,500.00	14,269,500.00
Total	$82,573,812.68	$99,730,562.50	$95,199,606.48	$30,235,245.42	$240,735,441.04	$548,474,668.12

County Pooled Investment Fund

General. In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Sacramento County Director of Finance. Each county is required to invest such funds in accordance with Government Code 53601, *et seq.* Funds held in the County Pool are invested by the Director of Finance in accordance with State law and the County's investment policy, which is prepared by the Director of Finance and approved annually by the County Board of Supervisors.

Sacramento County's investment policy and current portfolio holdings are accessible on the web site for Sacramento County's Department of Finance: www.finance.saccounty.net/. *Information on the web site is provided by the Finance Director of Sacramento County, such* *information is not incorporated in this Official Statement and the District takes no responsibility for the accuracy or completeness thereof.*

Investment of Proceeds of the Bonds: All moneys in any of the funds and accounts established pursuant to the District Resolution shall be invested solely in investments which are legally permitted for District funds generally under California law. Moneys in the funds and accounts will be accounted for separately and invested by the County of Sacramento, Director of Finance, in legal investments, and may include the Sacramento County Pooled Investment Fund and the State of California Local Agency Investment Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District. The District has the power and is obligated to levy or cause to be levied *ad valorem* taxes for payment of both principal and interest of the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), without limitation of rate or amount.

The principal of and interest and redemption premium (if any) on the Bonds do not constitute a debt of the Counties, the State of California (the **"State"**), or any of its political subdivisions other than the District, or any of the officers, agents or employees thereof. Neither the Counties, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof are liable on the Bonds. In no event shall the principal of and interest and redemption premium (if any) on the Bonds be payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

Security

The Boards of Supervisors of the Counties have power and are obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited into the Debt Service Fund, which is maintained by Sacramento County and which is required to be applied for the payment of principal of and interest on the general obligation bonds of the District, including the Bonds, when due. Although the Counties are obligated to levy an *ad valorem* tax for the payment of Bonds, and Sacramento County will maintain the Debt Service Fund and make timely payments of principal of and interest on the Bonds when due, the Bond are not a debt of the Counties.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by Sacramento County to the Paying Agent and then to DTC for payment of such principal, premium, if any, and interest to its Participants (as defined herein) and subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* tax levied by the Counties to repay Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Scheduled variations in the annual debt service on the Bonds and annual fluctuations in the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. This Official Statement includes information regarding the District's assessed valuation (see "- Assessed Valuation" below), tax rates (see "- Tax Rates" below), overlapping debt (see Appendix D), and other matters concerning *ad valorem* property taxation.

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state-assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are delinquent is sent to collections on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1, except that supplemental assessment and taxation of property occurs as of the occurrence of a change of ownership or completion of new construction, timely providing increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Unitary Taxation of Utility Property

Historically, property of regulated public utilities was assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The legislation established in each county one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result was a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All utility property subject to a tax at a rate equal to the sum of the following two rates:

> a) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total *ad valorem* secured roll assessed value for the prior year, and
>
> b) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year for debt service only by the county's total *ad valorem* secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, with the first pool being available for general tax purposes and the second pool being available for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

For fiscal year 2010-11, approximately 79 percent of the District's assessed valuation was in Sacramento County, according to estimates provided by the Sacramento County Assessor's office as of July 2, 2010. The following table displays secured tax charges and delinquencies in the Sacramento County portion of the District beginning in fiscal year 2002-03.

Table 3
LOS RIOS COMMUNITY COLLEGE DISTRICT
SECURED TAX LEVIES AND DELINQUENCIES
(Sacramento County Portion of the District)

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent June 30
2002-03	$1,933,051	$ 27,416	1.42%
2003-04	1,115,358	16,206	1.45
2004-05	5,019,436	73,056	1.46
2005-06	3,073,755	68,096	2.22
2006-07	8,006,287	297,387	3.71
2007-08	7,895,817	366,727	4.64
2008-09	8,934,394	336,685	3.77

(1) Debt service levy only for the Sacramento County portion of the District's debt service levy (the Sacramento portion of District assessed valuation representing 78 percent of total District assessed valuation). The District issued its first general obligation bonds in August 2002. See "Assessed Valuation" below for more information about the relative contribution of the counties of Sacramento, El Dorado, Yolo, Placer and Solano to the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Notwithstanding the delinquency data set forth above, the counties in which the District is located participate in the "Teeter Plans" adopted by each respective county, as described in the following section. As a result, the District receives 100 percent of the *ad valorem* property taxes levied on secured property for the Bonds, and foregoes any penalties and related interest with respect to delinquent taxes. See "-Teeter Plan" below.

The Teeter Plan

Sacramento County. In June of 1993, the Board of Supervisors of Sacramento County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, Sacramento County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, including the District, for which Sacramento County acts as the tax-levying or tax-collecting agency.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan, Sacramento County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, Sacramento County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which Sacramento County determines are eligible to participate in the Teeter Plan. Under the Teeter Plan, the District will receive 100% of the *ad valorem* property tax levied on secured property for the payment of the Bonds and other outstanding general obligation bonds of the District.

Sacramento County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than Sacramento County's delinquency rate on the collection of current year *ad valorem* taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at Sacramento County's option, be included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of Sacramento County orders its discontinuance or unless, prior to the commencement of any fiscal year of Sacramento County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in Sacramento County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of Sacramento County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in Sacramento County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. If the Teeter Plan is discontinued subsequent to its implementation, secured property taxes would be allocated to political subdivisions (including the District) for which Sacramento County acts as the tax-levying or tax-collecting agency as collected (see "Tax Levies and Delinquencies") above.

El Dorado, Yolo, Placer and Solano Counties. The remaining Counties also operate under the Teeter Plan and, with respect to *ad valorem* property taxes, on substantially the same basis as Sacramento County.

Assessed Valuation

Property in the District has a fiscal year 2009-10 total assessed valuation of $152,635,441,060 (full cash value) according to information compiled by California Municipal Statistics, Inc., and a 2010-11 total estimated assessed valuation of $148,772,252,362 (full cash value) based on information provided by each of the Counties in which the District is located.

Tables 4A and 4B present a County-by-County analysis of the District's fiscal year 2009-10 assessed valuation, compiled by California Municipal Statistics, Inc. (i) as a percentage of the District's total assessed valuation and (ii) as a percentage of each County's total assessed valuation. Table 4C presents the County-by-County analysis of the District's fiscal year 2010-11 assessed valuation, based on information provided by each of the Counties.

Table 4A
LOS RIOS COMMUNITY COLLEGE DISTRICT
2009-10 DISTRICT ASSESSED VALUE BY COUNTY

	Local Secured	Utility	Unsecured	Total	As % of Total District AV
Sacramento County	$114,101,426,817	$18,776,604	$5,509,006,629	$119,629,210,050	78%
El Dorado County	19,688,990,247	2,191,224	452,435,767	20,143,617,238	13
Yolo County	12,063,053,680	2,179,825	714,832,547	12,780,066,052	8
Placer County	66,789,936	0	433,294	67,223,230	<1
Solano County	15,188,297	0	136,193	15,324,490	<1
Total District	$145,935,448,977	$23,147,653	$6,676,844,430	$152,635,441,060	100%

Source: California Municipal Statistics, Inc.

Table 4B
LOS RIOS COMMUNITY COLLEGE DISTRICT
2009-10 DISTRICT ASSESSED VALUE BY COUNTY
AS PERCENTAGE OF TOTAL COUNTY ASSESSED VALUE

County	Total District Assessed Valuation	Total County Assessed Valuation(1)	As % of Total County Assessed Valuation
Sacramento	$119,629,210,050	$125,859,039,113	95%
El Dorado	20,143,617,238	27,678,373,685	73
Yolo	12,780,066,052	20,474,762,517	62
Placer	67,223,230	57,169,517,185	<1
Solano	15,324,490	41,342,942,721	<1
Total	$152,635,441,060	$272,524,635,221	100%

(1) Total before redevelopment increment. Excludes unitary utility.
Source: California Municipal Statistics, Inc.

Table 4C
LOS RIOS COMMUNITY COLLEGE DISTRICT
2010-11 DISTRICT ASSESSED VALUE BY COUNTY

County	Total	As % of Total District AV
Sacramento County	$117,084,585,517	79%
El Dorado County	18,954,661,833	13
Yolo County	12,652,268,395	9
Placer County	65,307,963	<1
Solano County	15,428,652	<1
Total	$148,772,252,362	100%

Source: Sacramento County Assessor's Office; and Auditor Controller Offices of El Dorado County, Yolo County, Solano County and Placer County.

The following table identifies the assessed valuation historical trends for the District as a whole for fiscal years 1997-98 through 2010-11. During this fourteen year period, the total District assessed valuation has increased by approximately 138 percent.

Table 5
LOS RIOS COMMUNITY COLLEGE DISTRICT
HISTORIC ASSESSED VALUATIONS (1)

Fiscal Year	Total District Assessed Valuations	Annual % Change
1997-98	$62,785,449,594	--
1998-99	65,789,548,817	4.78%
1999-00	69,925,152,927	6.29
2000-01	75,575,857,134	8.08
2001-02	82,025,940,419	8.53
2002-03	90,450,990,841	10.27
2003-04	99,036,845,696	9.49
2004-05	111,002,046,502	12.08
2005-06	127,136,612,507	14.54
2006-07	146,073,098,133	14.89
2007-08	159,072,744,969	8.90
2008-09	162,099,904,433	1.90
2009-10	152,635,441,060	(5.84)
2010-11	148,772,252,362	(2.53)

(1) Before redevelopment increment.
Source: California Municipal Statistics, Inc.; for 2010-11, Sacramento County Assessor's Office and Auditor Controller Offices of El Dorado and Yolo, Placer and Solano Counties.

Appeals of Assessed Value

General. There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978 (**"Proposition 8"**), which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "LIMITATIONS ON TAX REVENUES" below.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by a county assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "LIMITATIONS ON TAX REVENUES" below.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

<u>Recent Proposition 8 Assessed Value Reductions in Sacramento County</u>. Under Proposition 8, the Sacramento County Assessor unilaterally reduced the fiscal year 2007-08 assessed value of more than 47,800 Sacramento County residential parcels in the District (it reduced the assessed value of 57,000 residential properties throughout Sacramento County) by approximately $1.5 billion. For fiscal year 2008-09, the Sacramento County Assessor unilaterally reduced the assessed value of more than 80,000 Sacramento County residential parcels in the District (it reduced the assessed value of 90,000 residential properties throughout Sacramento County) by approximately $4.5 billion; in general, Sacramento County reduced the assessed value of residential parcels purchased in 2004 and later; the reductions ranged from 10-30%.

For fiscal year 2009-10, for the third consecutive year, Sacramento County Assessor's Office unilaterally reduced the assessed value of properties in the County pursuant to Proposition 8, accounting for a decrease in approximately $12 billion in county-wide assessed value. Out of 450,000 secured 2009-10 property tax bills, 170,000 contained reductions in assessed value due to Proposition 8.

For fiscal year 2010-11, for the fourth consecutive year, Sacramento County Assessor's Office unilaterally reviewed the market value of nearly 156,000 residential properties throughout Sacramento County. The review resulted in 38,000 residential properties having values reduced, 101,000 remained at their Proposition 8 values, 14,800 had current values raised but remained Proposition 8 properties, while 2,000 had their values raised and returned to their assessed valuations under Proposition 13. This illustrates that Proposition 8 reductions are temporary, and once a property receives a reduction under Proposition 8, its value must be reviewed each year to determine whether the January 1 fair market value remains less than its Proposition 13 base year value (plus inflationary adjustments). For fiscal year 2010-11, approximately 79 percent of the assessed valuation of the District is located in Sacramento County, and the assessed valuation of such property declined by 1.74 percent from fiscal year 2009-10 to 2010-11.

Recent Proposition 8 Assessed Value Reductions in El Dorado County. Under Proposition 8, the El Dorado County Assessor unilaterally reduced by approximately $1 billion the fiscal year 2008-09 assessed value of more than 10,000 properties throughout El Dorado County, of which approximately 90% were residential properties purchased after late-2004. The El Dorado County Assessor reviewed fiscal year 2009-10 assessed value of 23,000 parcels throughout El Dorado County (including the 10,000 parcels reviewed in fiscal year 2008-09), of which 90% are residential. This resulted in a county-wide fiscal year 2009-10 Proposition 8 assessed value reduction of approximately 2%. A similar review of parcels for the 2010-11 year resulted in a 6% County-wide decline in assessed value (including decline in time-share parcels). Currently, the El Dorado County Assessor states that approximately 40% of the parcels in El Dorado County continue to be in “decline-in-value” status.

Recent Proposition 8 Assessed Value Reductions in Yolo County. Under Proposition 8, the Yolo County Assessor reviewed the fiscal year 2008-09 assessed value of 12,000 residential parcels throughout the county that were purchased after July 2003 and unilaterally reduced the assessed value of 9,000 parcels throughout Yolo County in an aggregate amount of $600 million. Similarly, for fiscal year 2009-10, the Yolo County Assessor reviewed the assessed value of 23,000 residential parcels throughout Yolo County purchased after January 2002 (or approximately 50% of the residential parcels in Yolo County), which lead to a further decline of approximately $900 million, or a 1/3 percent reduction on the roll. In July 2010 Yolo County Assessor’s office released the 2010-11 Tax Roll confirming the largest decline in Yolo County property since Proposition 13 was passed in 1978. The results are a net decrease to the Yolo County tax roll of almost 2% to a value of $19,873,514,684. Again, under Proposition 8, the Yolo County Assessor is reviewing more than 21,000 properties for possible decreases in value. For 2010-11, residential properties in most areas of Yolo County that had been purchased since January 2001 were reviewed. The reduction to the 2010-11 roll was partially offset by new construction, properties changing ownership that had older base year values and agricultural properties. In a historic first since Proposition 13 was passed, the inflation factor for properties at their Proposition 13 value declined by about one quarter percent with the result that all remaining properties in the county will receive a minor reduction. For fiscal year 2010-11, approximately 8 percent of the assessed value of the District is located in Yolo County.

Largest Taxpayers

The twenty largest assessed property taxpayers in the District for fiscal year 2009-10 represent only 2.46 percent of the District's total secured assessed valuation, and are shown in the following table.

Table 6
LOS RIOS COMMUNITY COLLEGE DISTRICT
LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Intel Corporation	Office Building	$ 500,480,318	0.34%
2.	Hines VAF II Sacramento Properties LP	Office Building	281,532,234	0.19
3.	Aerojet Gen Corp.	Industrial	280,209,112	0.19
4.	Hines Sacramento Wells Fargo Center	Office Building	233,049,600	0.16
5.	Donahue Schriber Realty Group LP	Shopping Center	230,844,296	0.16
6.	Teachers Insurance and Annuity Association	Office Building	211,410,310	0.14
7.	Ronald P. & Maureen Ashley	Apartments	155,241,639	0.11
8.	Harsch Investment Corp.	Office Building	153,523,062	0.11
9.	JB Management LP	Office Building	146,317,458	0.10
10.	North Market Center LP	Industrial	146,191,702	0.10
11.	300 Capitol Associates NF LP	Office Building	135,252,000	0.09
12.	Campbell Soup Supply Co. LLC	Industrial	132,205,427	0.09
13.	Apple Computer Inc.	Industrial	130,273,112	0.09
14.	Arden Fair Associates	Shopping Center	130,092,242	0.09
15.	CIM & J Street Hotel Sacramento LP	Hotel	129,851,859	0.09
16.	Downtown Plaza LLC	Shopping Center	128,746,520	0.09
17.	CLPF Promenade LP	Shopping Center	125,264,667	0.09
18.	Elk Grove Town Center LP	Shopping Center	119,635,696	0.08
19.	Steadfast Sunrise I LLC	Commercial	114,174,050	0.08
20.	MSHQ LLC	Office Building	111,287,357	0.08
			$3,595,582,661	2.46%

(1) 2009-10 Local Secured Assessed Valuation: $145,935,448,977
Source: California Municipal Statistics, Inc.

Tax Rates

Contained within the District's boundaries are numerous overlapping local agencies. The following tables present a total tax rate for typical property owners within the District, in each of the five Counties, for the last five fiscal years.

Table 7
LOS RIOS COMMUNITY COLLEGE DISTRICT
TYPICAL TOTAL TAX RATE (1)

Sacramento County Portion (TRA 3-005)

	2005-06	2006-07	2007-08	2008-09	2009-10
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Sacramento Unified School District	0.1131	0.0850	0.0890	0.0938	0.0911
Los Rios Community College District	0.0032	0.0072	0.0066	0.0074	0.0124
Total	$1.1163	$1.0922	$1.0956	$1.1012	$1.1035
Sacramento Regional Sanitation District (Land and Improvements)	0.0055	-	-	-	-

El Dorado County Portion (TRA 54-135)

	2005-06	2006-07	2007-08	2008-09	2008-09
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Buckeye Union School District	--	--	0.0186	0.0229	0.0225
El Dorado Union High School District	0.0069	0.0059	0.0056	0.0208	0.0214
Cameron Park Community Services District	0.0059	0.0048	0.0047	0.0042	-
Los Rios Community College District	0.0032	0.0072	0.0066	0.0074	0.0124
Total	$1.016	$1.0179	$1.0355	$1.0553	$1.0563
El Dorado Irrigation District (Land Only)	0.0092	0.0100	0.0106	0.0104	0.0094

Yolo County Portion (TRA 4-039)

	2005-06	2006-07	2007-08	2008-09	2009-10
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Washington Unified School District	0.0675	0.0525	0.0525	0.0475	0.0475
Los Rios Community College District	0.0032	0.0072	0.0066	0.0074	0.0124
Total	$1.0707	$1.0597	$1.0591	$1.0549	$1.0599

Placer County Portion (TRA 67-004)

	2005-06	2006-07	2007-08	2008-09	2009-10
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Elverta Joint Unified School District	0.0221	0.0174	0.0164	0.0184	0.0158
Grant Joint Union High School District	0.0248	0.0599	0.0324	0.0518	-
Twin Rivers Unified School District	--	--	--	0.0518	0.0727
Los Rios Community College District	0.0032	0.0072	0.0066	0.0074	0.0124
Total	$1.0501	$1.0845	$1.0554	$1.1294	$1.1009

Solano County Portion (TRA 62-000)

	2005-06	2006-07	2007-08	2008-09	2009-10
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Davis Joint Unified School District	0.0320	0.0270	0.0250	0.0250	0.0250
Solano County Flood Control District	0.0200	0.0200	0.0200	0.0200	0.0200
Los Rios Community College District	0.0032	0.0072	0.0066	0.0074	0.0124
Total	$1.0552	$1.0542	$1.0516	$1.0524	$1.0574

(1) Per $100 of assessed valuation.
Source: California Municipal Statistics, Inc.

LIMITATIONS ON TAX REVENUES

Article XIIIA of the California Constitution

Proposition 13-Article XIIIA. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978.

Proposition 46. Under Proposition 46, approved by the voters on June 3, 1986, Article XIIIA was amended to allow bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-third of the voters on such indebtedness.

Proposition 39**.** Proposition 39, approved by voters on November 7, 2000, further amended Article XIIIA to permit bonded indebtedness to be incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, if approved by 55% of the voters of the district voting at the election, but only if certain accountability measures are included in the proposition.

"Cash Value." Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of "full cash value" in the event of declining property values caused by substantial damage, destruction or other factors, to reflect a reduction in the consumer price index ("**CPI**") or comparable local data, to provide that there would be no increase in "full cash value" in the event of reconstruction of property damaged or destroyed in a disaster, and in various other minor or technical ways. Such reductions, if instituted by the County Assessor of the respective Counties, could have the effect of slowing growth in assessed valuation within the District.

In addition to a reduction in base value as a result of a decrease in the CPI, in the event the market value of real property declines such that it becomes less than the base value under Article XIIIA, such decline in market value may be recognized for taxing purposes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value."

State law permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value on the damaged property.

Legislation Implementing Article XIIIA*.* Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies (such as the District) are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies in the county. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIIIB in certain respects. Under Article XIIIB, as amended, state and local government entities have an annual "appropriations subject to limitation" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations subject to limitation." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters in accordance with the law governing the election.

Proposition 218

On November 5, 1996, California voters approved Proposition 218 - Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the *ad valorem* property tax impose pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 further adds voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the Counties to pay debt service on the Bonds.

THE DISTRICT

General Information

The District, a political subdivision of the State of California, was established on July 1, 1964, and commenced operations on July 1, 1965. The District is a multi-campus public college district serving the greater Sacramento region and provides higher education instruction for the first and second years of college and vocational training. The District is the second largest community college district in the State and one of the largest in the United States, expecting to enroll nearly 88,000 students in credit courses in 2010-11. The District's service area includes Sacramento County and portions of Yolo, Solano, Placer and El Dorado counties with a total area population exceeding 1.8 million residents.

The District operates four main colleges: American River, Sacramento City, Cosumnes River, and Folsom Lake:

- American River College ("**ARC**"), founded in 1955, is situated on 153 acres in northern Sacramento and is the largest of the three colleges serving over 36,000 students at its main campus as well as off-campus locations including the Natomas Educational Center in the northwestern area of Sacramento.

- Sacramento City College ("**SCC**"), founded in 1916, is the seventh oldest public community college in the State and serves 26,000 students, including educational services provided in Yolo County at the Davis Educational Center.

- Cosumnes River College ("**CRC**"), founded in 1970, is situated on 150 acres in south Sacramento, one of the fastest growing regions of the District, and serves close to 16,000 students.

- Folsom Lake College received its first accreditation on January 19, 2004. Its main campus serves students in the eastern part of Sacramento County. The El Dorado Center of Folsom Lake College serves students in the Placerville area of El Dorado County. Total enrollment for the Folsom Lake College exceeds 9,000 students.

The District also maintains outreach centers located in West Sacramento, Rancho Cordova, and McClellan. In addition, the District operates the Workforce and Economic Development Center which provides employee training and consultant services to business, government and industry in the greater Sacramento metropolitan area and portions of northeastern California.

The District is governed by a Board of Trustees (the "**Board**") consisting of seven members with each representing a service area of the District. Members are elected to four-year terms and elections are held every two years, alternating between three and four available positions.

Student enrollment of a public community college district in California determines to a large extent the funding that a community college district will receive for programs, facilities and staff needs. The method of accounting for the number of students attending courses of the District is referred to as Full-Time Equivalent Students ("**FTES**"), and is computed by State formulae. The fiscal purpose of FTES attendance is to provide the basis on which apportionments of funds are made to community college districts. The District has consistently served more students than provided for by apportionment funds. The following table shows the historical FTES for the District for fiscal years 2002-03 through 2010-11.

Table 8
LOS RIOS COMMUNITY COLLEGE DISTRICT
FULL-TIME EQUIVALENT STUDENTS

Fiscal Year	Full-Time Equivalent Students(1)
2002-03	46,005
2003-04	46,131
2004-05	47,770
2005-06	49,113
2006-07	51,952
2007-08	53,163
2008-09	59,821
2009-10	60,779
2010-11(2)	56,395

(1) Resident and non-resident enrollment.
(2) Estimate.
Source: Los Rios Community College District.

For additional information about the District, including financial information relating to the District's general fund, see Appendix D. For additional information about Sacramento County, El Dorado County and Yolo County, see Appendices E, F and G. Because only a small portion of the District is located in Placer and Solano Counties, additional information about those Counties is not included in this Official Statement.

TAX MATTERS

Federal Tax Status

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Federal Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public (excluding Bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond (a **"Premium Bond"**) is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Bond Counsel Opinion

Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds in substantially the same form set forth in Appendix B, subject to the matters discussed below.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

Legality for Investment

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

Absence of Litigation

At the time of payment for and delivery of the Bonds, the Underwriter will be furnished with a certificate of the District that to the best knowledge of the officer of the District executing the same that there is no litigation pending, affecting the validity of the Bonds.

Compensation of Bond Counsel, Disclosure Counsel and Financial Advisor

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, and Dale Scott & Company Inc., as financial advisor to the District, is contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's fiscal year (which currently would be March 31), commencing with the report due by March 31, 2011 for fiscal year 2009-10 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "APPENDIX C – Proposed Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

The District has never failed to comply, in all material respects, with an undertaking pursuant to the Rule. Neither the Counties nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATINGS

It is anticipated that, on the date of issuance of the Bonds, Standard & Poor's Ratings Services ("**S&P**") and Moody's Investors Services (**"Moody's"**) will assign their municipal bond ratings of "AA-" and "Aa2", respectively, to the Bonds.

These ratings reflect only the views of S&P and Moody's, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the applicable rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P and Moody's (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P or Moody's, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by a syndicate managed by Stone & Youngberg LLC (collectively, the "**Underwriter**") at an aggregate purchase price of $140,654,628.15 (consisting of the par amount of $130,000,000.00, *plus* a net original issue premium of $11,213,628.15, *less* an underwriter's discount of $559,000.00). In addition, the Underwriter will retain a portion of the net original issue premium equal to $314,962.11 to pay the costs of issuing the Bonds.

Pursuant to a bond purchase agreement with the District, the Underwriter has agreed to purchase all of the Bonds (if any are purchased), and the Underwriter's obligation to purchase is subject to certain terms and conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed by the Underwriter.

MISCELLANEOUS

At the time of delivery and payment for the Bonds, an authorized representative of the District will deliver a certificate stating that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

The delivery of this Official Statement has been authorized by the Board of Trustees of the District.

LOS RIOS COMMUNITY COLLEGE DISTRICT, CALIFORNIA

By: /s/ *Dr. Brice W. Harris*
Dr. Brice W. Harris
Chancellor

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APPENDIX A

AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR FISCAL YEAR 2008-09

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LOS RIOS COMMUNITY
COLLEGE DISTRICT

Sacramento, California

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2009

Matson and Isom

INDEPENDENT AUDITORS' REPORT

matson and isom

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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

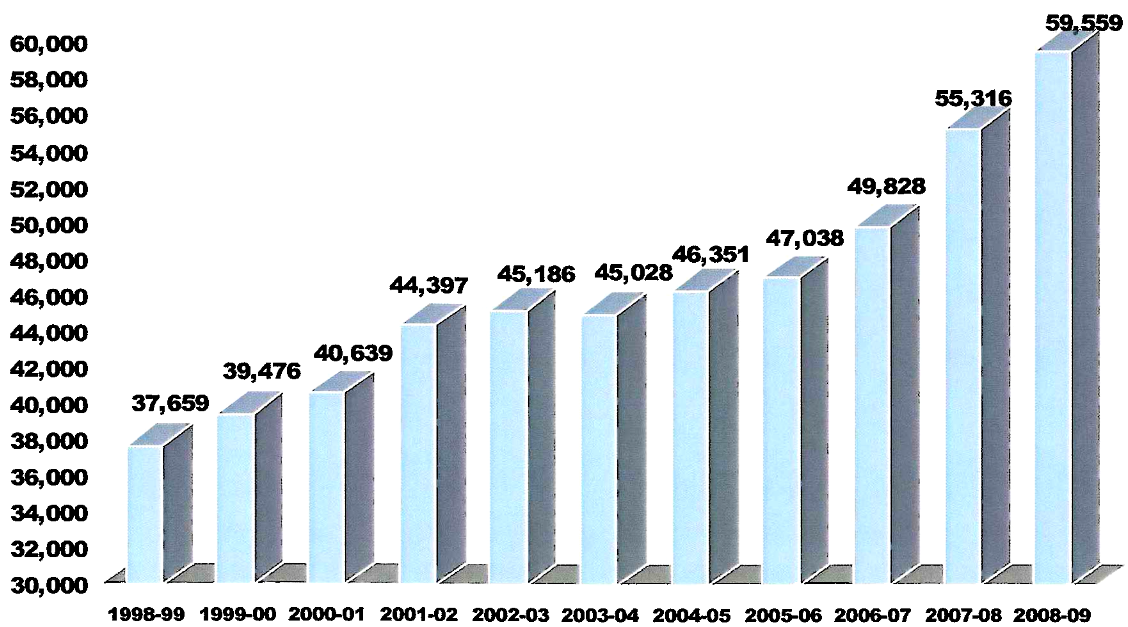
- The District reported 59,813 full-time equivalent resident and non-resident students (FTES) for 2008-09 on the Annual Attendance Report submitted to the Chancellor's Office. This represents actual growth of 6.9% over the prior year
- Unduplicated student headcount grew in 2008-09 by 6.0%. There were 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)



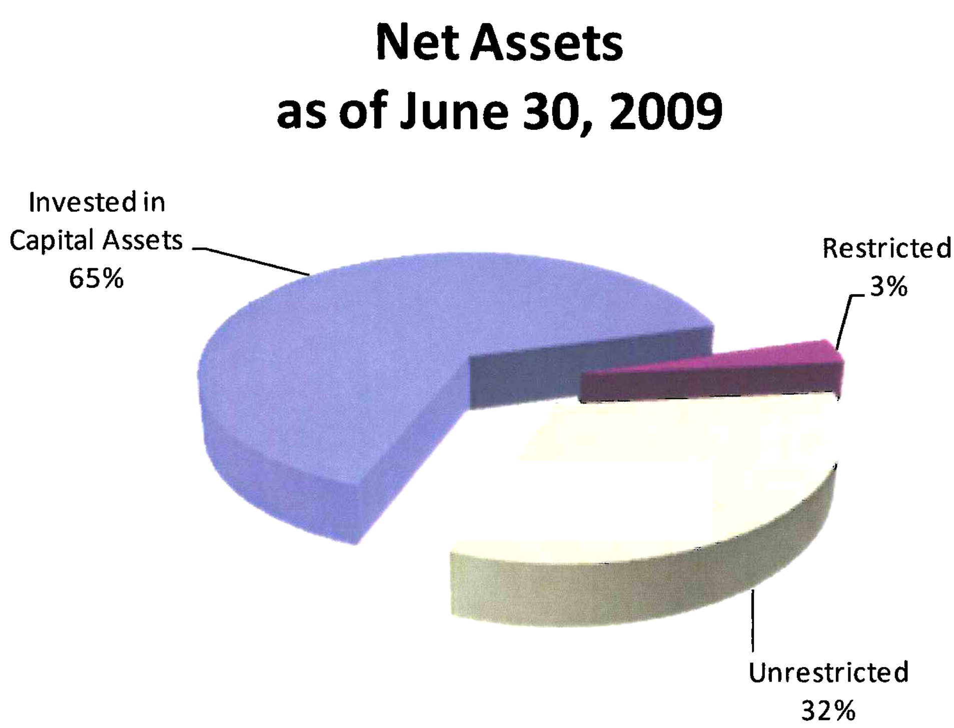
Statement of Net Assets

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.



Statement of Revenues, Expenses, and Changes in Net Assets

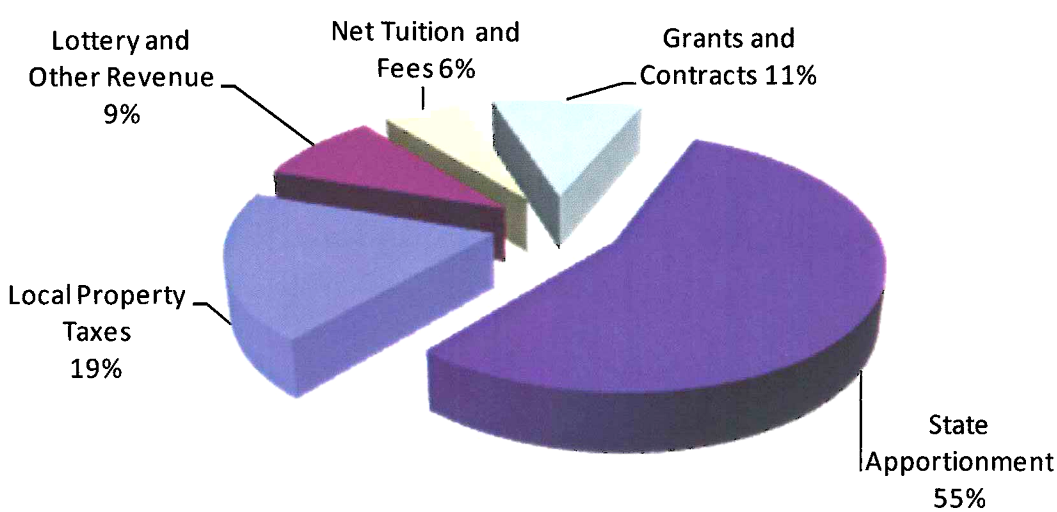
The statement of revenues, expenses, and changes in net assets presents the operating finances of the District, as well as the nonoperating revenues and expenses. State general apportionment funds, while used for operations, are considered nonoperating revenues under generally accepted accounting principles. 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.

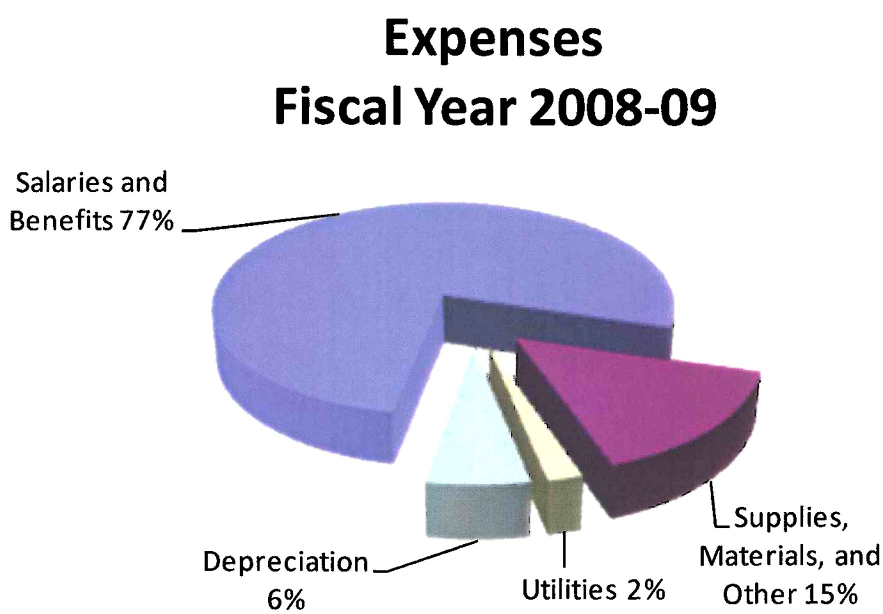
Revenues Fiscal Year 2008-09



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

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

June 30, 2009

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)

COMBINING STATEMENT OF NET ASSETS BY FUND

June 30, 2009

	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
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

	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
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

COMBINING STATEMENT OF NET ASSETS BY FUND

June 30, 2009

	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
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

June 30, 2009	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)	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

Certified Public Accountants

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

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

matson and isom

Founded in 1962 by
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and W. Howard Isom

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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.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

October 19, 2010

Board of Trustees
Los Rios Community College District
1919 Spanos Court
Sacramento, California 95825

OPINION: $130,000,000 Los Rios Community College District
(Sacramento County, California)
General Obligation Bonds, 2008 Election, Series A

Members of the Board of Trustees:

We have acted as bond counsel to the Los Rios Community College District (the "District") in connection with the issuance by the District of its Los Rios Community College District (Sacramento County, California) General Obligation Bonds, 2008 Election, Series A in the aggregate principal amount of $130,000,000 (the "Bonds"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of said Code (the "Bond Law") and under a resolution of the Board of Trustees of the District adopted on September 15, 2010 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a community college district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board of Trustees of the District and constitutes the valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the counties in which the District is located are obligated

to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Los Rios Community College District (the "District") in connection with the issuance of $130,000,000 aggregate principal amount of Los Rios Community College District (Sacramento County, California) General Obligation Bonds, 2008 Election, Series A (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Trustees of the District on September 15, 2010 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District.

"*Dissemination Agent*" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final Official Statement relating to the Bonds.

"*Participating Underwriter*" means Stone & Youngberg LLC .

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing no later than March 31, 2011 with the report for fiscal year 2009-10, provide to the Participating Underwriter and the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District is unable to provide to the MSRB an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Paying Agent, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) Current fiscal year assessed valuation of taxable properties in the District, including (A) assessed valuation of the top twenty properties and (B) an itemized County-by-County list in the form of Table 4A of the Official Statement;

(ii) Amount of all general obligation debt of the District outstanding, and total scheduled debt service on such general obligation debt; and

(iii) Any changes in the operation of the Counties' Teeter Plans since the previous Annual Report affecting the District's receipt of property tax revenues used to pay debt service on the Bonds.

(iv) To the extent available from the Counties, prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Paying Agent. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: October 19, 2010

LOS RIOS COMMUNITY COLLEGE DISTRICT

By ______________________________

Dr. Brice W. Harris,
Chancellor

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Los Rios Community College District
Name of Issue:	$130,000,000 aggregate principal amount of General Obligation Bonds, 2008 Election, Series A
Date of Issuance:	October 19, 2010

NOTICE IS HEREBY GIVEN that the Los Rios Community College District (the "District") has not provided an Annual Report with respect to the above-named bonds as required by Section 5.05 of the resolution adopted by the Board of Trustees of the District on September 15, 2010 approving the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

LOS RIOS COMMUNITY COLLEGE DISTRICT

By:____________________________________
Name:_________________________________
Title:__________________________________

APPENDIX D

DISTRICT FINANCIAL INFORMATION

The information in this Appendix concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the Counties in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" above.

District Budget

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The Board of Governors of the California Community Colleges imposes a uniform budgeting format for all California community college districts.

Under current law, the District Board of Trustees approves a tentative budget for the upcoming fiscal year by July 1 and an adopted budget by September 15th of each fiscal year. The following table shows the District's fund balances, expenditures and revenues for fiscal years 2007-08 (audited), 2008-09 (audited) and 2009-10 (unaudited actuals), and its adopted budgets for fiscal years 2007-08 through 2010-11.

Table 9
LOS RIOS COMMUNITY COLLEGE DISTRICT
GENERAL FUND BUDGET AND
FUND BALANCES, REVENUES AND EXPENDITURES
FISCAL YEARS 2007-08, 2008-09, 2009-10 and 2010-11

	2007-08 Adopted Budget	2007-08 Audited Actuals	2008-09 Adopted Budget	2008-09 Audited Actuals	2009-10 Adopted Budget	2009-10 Unaudited Actuals	2010-11 Adopted Budget
Beginning Balance	**$25,578,988**	**$25,578,988**	**$28,616,436**	**$28,616,436**	**$29,542,741**	**$29,542,741**	**$34,045,518**
Revenues							
Federal Revenue	7,671,324	7,940,827	7,866,185	8,453,195	13,292,259	12,869,032	21,344,514
State Revenue	225,496,786	226,812,225	233,445,065	224,355,104	207,316,234	214,279,528	214,797,951
Local Revenue	86,242,527	87,571,485	89,924,566	89,563,641	94,655,458	87,554,575	86,689,156
Interest and Other Revenue	2,286,075	2,018,795	2,325,951	1,080,117	1,560,603	390,440	983,953
Total Revenue	**321,696,712**	**324,343,332**	**333,561,767**	**323,452,057**	**316,824,554**	**315,093,575**	**323,815,574**
Expenditures							
Certificated Salaries	140,251,918	138,037,714	144,890,305	137,050,115	135,716,511	133,430,578	137,989,558
Classified Salaries	72,252,832	69,943,071	72,232,023	70,632,716	70,631,324	70,182,297	71,090,789
Employee Benefits	50,001,489	52,167,403	56,903,843	56,552,827	55,907,170	53,634,049	55,676,381
Supplies & Materials	11,457,572	8,110,006	12,995,443	8,362,158	11,444,980	6,980,120	14,364,889
Services & Other Oper. Expenses	36,140,157	29,586,896	38,608,975	30,692,121	41,834,359	30,145,650	47,028,818
Capital Outlay	4,413,629	4,968,753	4,886,456	4,557,527	4,921,698	3,789,529	5,623,712
Auxiliary Activities	32,292	52,279	60,000	19,688	25,000	19,958	21,891
Total Expenditures	**314,549,889**	**302,866,122**	**330,577,045**	**307,867,152**	**320,481,042**	**298,182,181**	**331,796,038**
Net Other Financing Sources and Uses	**(16,391,022)**	**(18,439,762)**	**(15,066,103)**	**(14,658,600)**	**(10,320,875)**	**(12,408,617)**	**(8,929,743)**
Excess Rev. & Other Sources Over/ (Under) Expend.	**(9,244,199)**	**3,037,448**	**(12,081,381)**	**926,305**	**(13,977,363)**	**4,502,777**	**(16,910,207)**
Ending Balance	**$16,334,789**	**$28,616,436**	**$16,535,055**	**$29,542,741**	**$15,565,378**	**$34,045,518**	**$17,135,311**

Source: Los Rios Community College District.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles prescribed by the Governmental Accounting Standards Board ("**GASB**") and, where applicable, Financial Accounting Standards Board ("**FASB**") Statements issued after 1989. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. This manual, according to Section 70901 of the State of California Education Code, is to be followed by all California community college districts.

District revenues are recognized during the period in which they become both measurable and available to finance operations of the current fiscal period. District expenditures are reflected in the fiscal period in which the liability occurred.

District accounting is organized on the basis of governmental fund types, with each fund consisting of a separate set of self-balancing accounts containing assets, liabilities and fund balances, including revenues and expenditures. The major fund classification is the general fund, which accounts for the general operations of the District. The District's fiscal year begins on July 1 and ends on June 30.

The District's independent auditors for the year ending June 30, 2009 were Matson and Isom of Chico, California. The audited financial statements for the year ended June 30, 2009 are included as "APPENDIX A" hereto. The District did not request and did not receive the consent of Matson and Isom to including the audited financial statements in this Official Statement. Commencing with fiscal year ending June 30, 2010, the District's independent auditors are Gilbert Associates, Inc., of Sacramento, California.

Employee Relations

District employees are represented by four recognized bargaining units. The Los Rios Federation of Teachers, Local 2279, AFT/AFL-CIO ("**LRCFT**") is the exclusive bargaining unit for the certificated personnel of the District. The Los Rios Supervisors' Association ("**LRSA**") represents District supervisors such as accounting, business, food, general service and other "operational" supervisors. The Los Rios Classified Employees Association ("**LRCEA**") is the exclusive bargaining unit for "white collar" and specialist employees such as accountants, clerks, and programmers. The Service Employees International Union, Local 1021 ("**SEIU**") is the exclusive bargaining unit for maintenance/operations and campus police personnel. The following table shows the District's bargaining units, contract status and number of employees.

Table 10
LOS RIOS COMMUNITY COLLEGE DISTRICT
BARGAINING ORGANIZATIONS AND CONTRACT DATES

Bargaining Organization	Acronym	Contract Beginning Date	Contract Ending Date	Number of Employees
Los Rios College Federation of Teachers	LRCFT	07/01/08	06/30/11	2,592(1)
Los Rios Classified Employees Association	LRCEA	07/01/08	06/30/11	806(2)
Service Employees International Union	SEIU	07/01/09	06/30/11	215
Los Rios Supervisors' Association	LRSA	07/01/09	06/30/12	66
Management (not an official bargaining unit)	MGMT	n/a	n/a	125
Specific positions (not official bargaining unit)	CONFIDENTIAL	n/a	n/a	39
Total				3,843

(1) Includes 1,015 regular and 1,577 adjunct (part-time) faculty.
(2) Excludes part-time temporary and student help.
Source: Los Rios Community College District.

Pension Plans

STRS. The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 2008-09 was $10,239,386 and was $9,543,592 (unaudited) for fiscal year 2009-10. For fiscal year 2010-11, the budgeted contribution is $9,679,488.

PERS. The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. The District's contribution to PERS for fiscal year 2008-09 was $6,788,577 and was $6,720,509 (unaudited) for fiscal year 2009-10. For fiscal year 2010-11, the budgeted contribution is $7,350,057.

Both STRS and PERS are operated on a statewide basis.

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 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 for the fiscal year ended June 30, 2010 was $194,210, and for both such years equals 100% of the required contributions for such 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.

Post-Employment Benefits Other than Pension Benefits

Plan Description. The District maintains the Los Rios Community College Retiree Health Benefits Plan ("**RHBP**"), which provides for other post-employment benefits (**"OPEB"**) in the form of contributions towards all or a portion of health insurance premiums for eligible members who have retired from service with the District. As of June 30, 2010, the RHBP had 781 retirees receiving benefits and had a total of 2,148 active participants, of which 1,427 are not yet vested.

Funding Policy. The District's agreement with employees is for monthly contributions (as of July 1, 2010, up to $206 per month for the payment or reimbursement of all or a portion of health insurance premiums of eligible retirees) 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.

Annual OPEB Cost and Net Obligation. The District's annual 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 ending June 30, 2009, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

OPEB Cost
Year Ending June 30, 2009

Annual required contribution	$ 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	$ 0

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, 2008 through June 30, 2009 were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2008	$62,657,554	$61,331,977	99.47%	$325,577
June 30, 2009	7,129,767	7,129,767	100.00	-

Funded Status of OPEB Plan. Based on the most recent actuarial valuation dated as of July 1, 2007, the plan has an actuarial accrued liability of $63,308,578, assets of $59,460,429, and an unfunded actuarial accrued liability of $3,848,149, resulting in a funded ratios of assets to actuarial accrued liability of 93.92 percent.

Please refer to Note 14 beginning on page 35 of the District's audited financial statements for fiscal year 2008-09 in Appendix A for additional information regarding the District's OPEB plan, including information regarding actuarial assumptions.

Operating Lease Obligations

The District has entered into various operating leases for buildings with lease terms in excess of one year. None of these contain purchase options. All agreements contain a termination clause providing for cancellation upon written notice to lessors. The amount of rental expenditures during the year ending June 30, 2009 was $698,102 and during the year ending June 30, 2010 was $652,168.

Long-Term Borrowing

2006 Certificates of Participation. In June 2006, the District incurred long-term lease obligations in connection with the financing of a parking garage and related facilities serving the Sacramento City College campus of the District from the proceeds of certificates of participation, which were delivered in the aggregate principal amount of $7,055,000 (the **"2006 Certificates"**). As of October 1, 2010, the outstanding principal amount of the 2006 Certificates is $6,505,000. Under this financing, the District is obligated to pay semi-annual lease payments from its general funds through June 1, 2031.

2002 General Obligation Authorization and Bonds. In March, 2002, District voters approved a $265 million general obligation bond authorization to fund specific capital construction projects (the **"2002 Authorization"**). The proceeds from bonds issued, coupled with moneys expected to be received from the State, will enable the District to meet projected enrollment growth through 2015. The District has, pursuant to this authorization, issued the following four series of bonds:

- 2002 Series A General Obligation Bonds, maturing on August 1 in the years 2003 through 2027, outstanding as of October 1, 2010 in the principal amount of $22,000,0000 (expected to be refunded with the issuance of 2010 Refunding General Obligation Bonds, to be issued on or about October 7, 2010),

- 2002 Series B General Obligation Bonds, maturing on August 1 in the years 2005 through 2028, outstanding as of October 1, 2010 in the principal amount of $55,305,000,

- 2002 Series C General Obligation Bonds, maturing on August 1 in the years 2007 through 2031, outstanding as of October 1, 2010 in the principal amount of $62,815,000, and

- 2002 Series D General Obligation Bonds, maturing on August 1 in the years 2010 through 2034, outstanding as of October 1, 2010 in the principal amount of $53,765,000

$47.5 million remains unissued under the 2002 Authorization.

2008 General Obligation Bond Authorization. In November 2008, voters approved Measure M, a $475,000,000 general obligation bond authorization for the District (the "**2008**

Authorization"). The proceeds, combined with state capital outlay funds, will provide new facilities to accommodate projected student growth will finance modernization of existing facilities and infrastructure. The Bonds represent the first issuance pursuant to this authorization. After the Bonds are issued, there will be $345,000,000 of 2008 Authorization remaining.

State Lease Revenue Bonds. The State Public Works Board (the "**Public Works Board**") has issued lease revenue bonds for the purpose of funding certain facilities, including facilities of the District. These bonds are special obligations of the Public Works Board payable from State General Fund revenues appropriated to the Board of Governors of the California community colleges, which makes provision in the annual budget of the State for the servicing of such bonds. In the event that the State could not pay the semi-annual installment payment due with respect to such bonds, the District would be responsible for the payments attributable to the District facilities financed with these proceeds. The Public Works Board leases the facilities to the District, and at maturity, title will vest in the District.

Refer to Note 11 beginning on page 32 of the District's audited financial statements for fiscal year 2008-09 in Appendix A for additional information regarding these financing leases.

Overlapping Debt

Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment. The direct and overlapping debt of the District is shown in the following table. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

Table 11
LOS RIOS COMMUNITY COLLEGE DISTRICT
STATEMENT OF DIRECT AND OVERLAPPING DEBT
AS OF OCTOBER 1, 2010

2009-10 Assessed Valuation:	$152,635,441,060
Redevelopment Incremental Valuation:	10,877,075,783
Adjusted Assessed Valuation:	$141,758,365,277

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/10
Los Rios Community College District	100.000%	$ 193,885,000(1)
Natomas Unified School District	100.000	187,032,156
Sacramento Unified School District	100.000	350,082,966
San Juan Unified School District	100.000	304,097,791
Other Unified School Districts	Various	314,109,013
High School and School Districts	Various	391,523,508
City of Folsom	100.000	14,900,000
El Dorado Irrigation District	100.000	3,450,000
Community Services Districts	100.000	8,114,458
Other Special Districts	Various	610,000
Elk Grove Unified School District Community Facilities District No. 1	100.000	154,336,626
City of Folsom Community Facilities Districts	100.000	131,715,000
City of Sacramento Community Facilities Districts	100.000	169,960,000
City of West Sacramento Community Facilities Districts	100.000	126,521,805
Other Community Facilities Districts	100.000	609,203,880
1915 Act and Benefit Assessment Bonds (Estimate)	100.000	247,431,511
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$3,206,973,714

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Sacramento County General Fund Obligations	95.008%	$ 350,952,747
Sacramento County Pension Obligations	95.008	871,382,644
Other County Obligations	Various	16,466,822
Los Rios Community College District Certificates of Participation	100.000	6,505,000
Sacramento Unified School District Certificates of Participation and Pension Obligations	100.000	86,735,000
Other Unified School District General Fund Obligations	Various	181,248,412
High School District and School District General Fund Obligations	Various	177,018,338
City of Sacramento General Fund Obligations	100.000	783,970,000
Other City General Fund Obligations	100.000	80,587,162
Sacramento Metropolitan Fire District Pension Obligations	94.342	61,901,536
Special District General Fund Obligations	Various	7,450,316
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,624,217,977
Less: Sacramento County self-supporting obligations		6,717,066
City of Sacramento self-supporting obligations		503,835,345
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,113,665,566
GROSS COMBINED TOTAL DEBT		$5,831,191,691(2)
NET COMBINED TOTAL DEBT		$5,320,639,280

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
- Direct Debt ($193,885,000) 0.13%
- Total Direct and Overlapping Tax and Assessment Debt 2.10%

Ratios to Adjusted Assessed Valuation:
- Combined Direct Debt ($200,390,000) 0.14%
- Gross Combined Total Debt..4.11%
- Net Combined Total Debt..3.75%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

State of California Finances

The State requires that from all State revenues there shall first be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect apportionments made by the legislature to school districts and community college districts.

State Funding of Education. Annual State apportionments to community college districts for general purposes are allocated through a program based funding formula per unit of full-time equivalent students ("**FTES**"). Such apportionments will, in general, amount to the difference between a district's program based funding level and its local property tax allocation and student enrollment fees. Program based funding calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases, changes in basic allocations related to the size and number of colleges and centers, and funding for the number of students served (or FTES). In November 1988, California voters approved an amendment to the California Constitution which guarantees primary and secondary education and the community college system a percentage of the state general fund budget for the 1988-89 budget year and subsequent budget years.

The following table shows the District's program based funding per FTES and total program based funding for fiscal years 2002-03 through 2009-10 and as estimated for 2008-09 and 2010-11.

Table 12
LOS RIOS COMMUNITY COLLEGE DISTRICT
PROGRAM-BASED FUNDING
FISCAL YEARS 2002-03 THROUGH 2010-11

Fiscal Year	Average Program-Based Funding per FTES	Funded Full-Time Equivalent Students (FTES)	Total Program-Based Funding
2002-03	$3,691	44,256	$163,348,686
2003-04	3,666	45,035	165,099,284
2004-05	4,056	47,101	191,049,275
2005-06	4,287	48,403	207,524,207
2006-07	4,663	51,139	238,441,385
2007-08	4,852	52,050	252,526,013
2008-09	4,837	53,013	256,402,015
2009-10(1)	4,924	50,880	250,516,174
2010-11(1)	4,903	52,004	254,958,731

(1) Estimate.
Source: Los Rios Community College District.

State Budgets. The *following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District nor the Underwriter is responsible for the information* *relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.*

General. On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State Appropriations Limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of State General Fund revenues ("**Test 1**"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("**Test 2**"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 0.5% is less than the percentage growth in State per capita personal income ("**Test 3**"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percent has been adjusted to approximately 35% to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of State General Fund revenues to schools. Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period.

During the recession in the early 1990s, State General Fund revenues for several years were less than originally projected, so that the original Proposition 98 appropriations turned out to be higher than the minimum percentage provided in the law. The Legislature responded to these developments by designating the "extra" Proposition 98 payments in one year as a "loan" from future years' Proposition 98 entitlements, and also intended that the "extra" payments would not be included in the Proposition 98 "base" for calculating future years' entitlements. By implementing these actions, per-pupil funding from Proposition 98 sources stayed almost constant at approximately $4,200 from fiscal year 1991-92 to fiscal year 1993-94.

In 1992, a lawsuit was filed, called *California Teachers' Association v. Gould*, which challenged the validity of these off-budget loans. The settlement of this case, finalized in July 1996, provides, among other things, that both the State and K-14 schools share in the repayment of prior years' emergency loans to schools.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office (the "LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)."

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("**AB 1755**"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the

"Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 9 to 13 years.

2009-10 Adopted State Budget. On January 9, 2009, the Governor submitted his proposed 2009-10 Budget (the "**2009-10 Proposed Budget**") to the State Legislature. The 2009-10 Proposed Budget proposed $41.7 billion in budgetary solutions to close a $39.6 billion gap and establish a $2.2 billion reserve. Subsequently, on February 19, 2009, the California Legislature approved a budget package (the "**Budget Package**"), which included revisions to the then-current 2008-09 Budget and adoption of the 2009-10 Budget, thus covering a 17-month period ending July 1, 2010. The Governor signed the Budget Package, using his veto power to achieve additional savings, including replacing general fund appropriations for higher education with federal funds. On February 13, 2009, the U.S. Congress had approved the American Recovery and Reinvestment Act, committing a total of $787 billion nationwide, including an estimated $31 billion in aid to the State and billions more nationwide in competitive grants, about $8 billion of which would be available in 2008-09 and 2009-10.

On July 1, 2009, the Governor declared a fiscal emergency and ordered a special session of the Legislature to solve the State's deficit, ordered State employees. implemented State furlough days and proposed further cuts school spending. On July 2, 2009, the State began issuing registered warrants, or IOU's, to several classes of creditors, including certain local governments.

On July 24, 2009, the California Legislature approved amendments to the 2009-10 Budget and the Governor signed the 2009-10 Budget on July 28, 2009, which included reductions in spending ($84 billion, down from nearly $91.7 billion in 2008-09 and nearly $103 billion in 2007-08) through reductions in K-14 education and Cal State University and UC systems spending, implementation of State furlough days, and cuts in health and human services, including Medicaid. The approved amendments included borrowing from local governments (to be repaid with interest under Proposition 1A) and various accounting shifts to generate additional revenues in the 2009-10. The Governor made nearly $500 million in additional cuts to social services, state prisons and higher education, and providing for a general fund reserve of $500 million.

Under the amended 2009-10 Budget, total Proposition 98 funding was reduced by $2.1 billion in 2008-09 and $4.5 billion in 2009-10. However, Proposition 98 general fund savings were $5.3 billion in 2009-10 because of a property tax shift of $850 million from redevelopment agencies to schools.

With respect to K-14 education, prior categorical cuts would be restored in 2009-10 but an equal amount of approximately $250 per ADA would be reduced from revenue limits statewide. In addition, general purpose spending for local educational agencies would be cut, resulting in cuts of approximately $390 per ADA for K-14 Districts. In addition, $1.7 billion in 2009-10 payments would be deferred from April and May into August of fiscal year 2010-11. Additional changes include provisions to permit school districts to reduce the number of school days by five days to 175 days through 2012-13 and lowering the reserve requirement for economic uncertainty to one-third of the usual requirement.

With respect to redevelopment agencies, the 2009-10 Budget included taking $2.05 billion in redevelopment funds ($1.7 billion in 2009-10 and $350 million in 2010-11), to be deposited in county "Supplemental" Educational Revenue Augmentation Funds ("**SERAF**") in order to meet the State's Proposition 98 obligations to schools. The structure for taking redevelopment revenue is similar to the 2008-09 trailer bill, AB 1389, which attempted to take $350 million. The Department of Finance will determine each agency's SERAF payment by November 15 of each year, calculated based on half of each agency's net tax increment (net of pass-throughs) and half on gross tax income. Payments are due by May 10 of the applicable year and agencies that do not make their payment by this date must increase their housing set aside to 25% for the remainder of the redevelopment project area's life. The increased housing set-aside lasts until the required payments have been made and means that an agency could not adopt a new redevelopment plan, amend an existing plan to add territory, issue bonds, further encumber funds or expend any moneys derived from any source except to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on agency administration for the preceding fiscal year.

The California Redevelopment Association (**"CRA"**) filed a lawsuit to challenge the State's taking redevelopment funds approved in the budget amendments. The CRA was successful in overturning the ERAF shift authorized by AB 1389 in 2008-09. On May 4, 2010, the Superior Court ruled that the 2009 SERAF Legislation is constitutional. However, the CRA has announced that it will appeal the judgment of the Superior Court and that it will seek a temporary stay of the judgment from the California Court of Appeal pending the appeal.

2010-11 Proposed State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

<u>January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature</u>. The Governor submitted his 2010-11 Budget (the **"2010-11 Proposed Budget"**) to the State Legislature. The 2010-11 Proposed Budget assumed that, without corrective action, the State would face a deficit of $19.9 billion at the end of 2010-11. The 2010-11 Proposed Budget cuts health programs ($2.9 billion); includes extensive cuts to welfare programs; corrections cuts of ($1.2 billion); assumes $6.9 billion increase in federal aid; extends temporary tax increases adopted as part of 2009-10 State Budget; and delays implementation of tax breaks adopted as part of 2009-10 State Budget.

<u>January 12, 2010 – LAO Report: Overview of the Governor's Budget</u>. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

February 25, 2010 – LAO Report. The LAO released a report commenting on the 2010-11 Proposed Budget's Proposition 98 and K-12 Education proposals. The LAO report states that the Governor's Proposed Budget would result in reductions in Proposition 98 funding levels from what is currently required by approximately $2.2 billion in 2009-10 and approximately $3.2 billion in 2010-11. K-12 revenue limit funding would be cut by $1.5 billion and virtually all education mandates would be suspended in 2010-11. These reductions are based in part on his interpretation of "minimum guarantee" as described under "Proposition 98 Funding" above. According to the LAO report, the 2010-11 Proposed Budget takes steps in the right direction by reducing costs, providing flexibility and seeking federal funding, but it also misses opportunities for meaningful reform and is based on several assumptions that, if they do not come to pass, would render the plan unworkable.

March 1, 2010. The Governor signed AB X85 which implemented funding deferrals for numerous state and local agencies, including the community colleges. For the community colleges, the bill requires that $131 million of the scheduled March 2010 payment (including both general apportionments and categorical funds) be deferred until as late as May 1, 2010. However, better than projected cash receipts resulted in this deferral not being implemented for the community colleges.

May 12, 2010 – Governor Submits May Revise to 2010-11 Budget. The Governor submitted a revised 2010-11 Budget which calls for $12.4 billion in spending cuts to help bridge a $20 billion deficit over the next fiscal year. The Governor's May 2010 Budget Revision estimates a general fund budget gap of $19.1 billion, $7.7 billion for the 2009-10 fiscal year, $10.2 billion for the 2010-11 fiscal year, and a modest reserve of $1.2 billion. The May Revision proposes $12.4 billion in spending reductions and alternative funding solutions, representing two-thirds of the solutions, borrowing and fund shifts totaling approximately 10% of the solutions and approximately 5% of the package relies on new revenues. Major spending reduction proposals include reductions of $4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of $2.1 billion by reducing state employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing $1.2 billion in savings.

For the California Community Colleges, the May Revision remained virtually unchanged from the Governor's Budget released in January with 2.2 percent enrollment growth ($126 million) and - 0.38% COLA (-$22.9 million). While the economic factors used to calculate the COLA have changes slightly since January, the Administration chose not to update this figure. The revision also included a downward revision of $6 million in 2010-11 local property tax revenues. The Governor proposes an augmentation of $6 million in state funding to offset this reduction and a reduction of approximately $6 million in federal TANF funds as a result of his proposed elimination of the CalWORKs program. In addition, the Governor proposed that the $26.7 million in state funding previously provided for CCC CalWORKs be redirected to support any categorical expenditure through the Categorical Flexibility provision.

The May Revision noted that the state continues to face an extremely tight cash position. While no new proposals are made to address these challenges, the Governor does indicate that the Department of Finance, State Controller, and State Treasurer will continue to monitor the situation and present additional solutions as needed. This indicates a risk of additional funding deferrals being enacted.

May 18, 2010 - LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall is reasonable. However, the LAO Report advises the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urges the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the state can afford. The LAO predicts that even if the Legislature approves all of the painful cuts and realizes the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion is likely to persist in future years.

July 1, 2010: 2010-11 Fiscal Year Begins. The June 15, 2010 deadline for the State legislature to pass the State Budget bill has passed and the 2010-11 Budget Act, which must be approved by a two-thirds majority vote of each House of the Legislature, has not yet been approved. The District cannot predict when the 2010-11 State Budget will be approved or what impact it might have on the District's finances.

August 4, 2010: The Conference Committee adopted the 2010-11 Education Budget. Following the issuance of the May Revision, each house of the California legislature reviews the Governor's proposal and issues their own budget proposals. Those two proposals are then sent to a conference committee consisting of representatives from the Assembly and the Senate, with the resulting proposal being named the Conference Committee Proposal.

The Conference Committee proposal for Community Colleges includes the Governor's proposed $126 million for enrollment growth funding (2.21 percent) but rejects negative COLA ($23 million). In addition, the proposal has funding of $35 million to backfill the 2009-10 one-time federal ARRA funding directed to categorical programs and a $25 million augmentation for the Economic and Workforce Development program to support workforce training enrollments.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Series A Bonds to provide State budget information to the District or the owners of the Series A Bonds. Although they believe the State sources of information listed above are reliable, the District does not assume any responsibility for

the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

2010 Legal Challenge to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school finance is implemented in the State of California.

APPENDIX E

COUNTY OF SACRAMENTO

The District's boundaries include portions of the County of Sacramento. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuation" in the body of the Official Statement. This section provides certain information about the economy and demographic trends in the County. However, no revenues of the County or taxes on economic activity in the County are pledged to payment of the Bonds. The Bonds are payable from an ad valorem property tax required to be levied on all taxable property within the District's boundaries in an amount sufficient to pay debt service on the Bonds as it comes due.

General and Location

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State and also serves as the county seat.

Sacramento County encompasses approximately 994-square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. Sacramento County extends from the low delta lands between the Sacramento and San Joaquin rivers north to approximately 10 miles beyond the State Capitol and east to the foothills of the Sierra Nevada mountains. The southwestern portion of Sacramento County has direct access to the San Francisco Bay.

Population

The following table lists population estimates for the County as of January 1 for the last five years.

COUNTY OF SACRAMENTO
Population Estimates

Calendar Year	County of Sacramento	Annual % Change
2006	1,387,257	--
2007	1,405,694	1.3%
2008	1,418,763	0.9
2009	1,432,168	0.9
2010	1,445,327	0.9

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (**"MSA"**) was 12.4% in June, 2010, and above the year-ago estimate of 11.4%. This compares with an unadjusted unemployment rate of 12.2% for California and 9.9% for the nation during the same period. The unemployment rate was 12.6% in El Dorado County, 11.6% in Placer County, 12.6% in Sacramento County, and 11.9% in Yolo County.

The table below provides information about employment by industry type for the Sacramento MSA for calendar years 2005 through 2009.

SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA
El Dorado, Placer, Sacramento, Yolo Counties
Employment by Industry
Annual Averages

	2005	2006	2007	2008	2009
Civilian Labor Force (1)	1,013,900	1,028,700	1,042,000	1,051,600	1,057,600
Employment	964,100	980,600	987,100	977,500	939,200
Unemployment	49,800	48,100	55,300	73,900	118,400
Unemployment Rate	4.9%	4.7%	5.3%	7.0%	11.2%
Wage and Salary Employment (2)					
Agriculture	7,400	7,500	7,900	8,200	8,700
Natural Resources and Mining	700	700	700	700	500
Construction	73,400	70,700	66,900	56,200	43,000
Manufacturing	43,100	42,800	40,900	38,700	34,400
Wholesale Trade	26,900	28,400	27,900	26,500	24,100
Retail Trade	98,700	100,700	99,800	95,100	87,100
Transportation, Warehousing and Utilities	23,400	24,500	25,400	25,100	23,300
Information	19,900	20,000	20,100	19,200	18,300
Finance and Insurance	47,000	47,700	46,200	43,400	41,000
Real Estate and Rental and Leasing	16,400	16,900	15,700	14,100	12,600
Professional and Business Services	108,600	112,500	112,100	110,100	100,700
Educational and Health Services	88,200	92,100	96,800	99,400	99,400
Leisure and Hospitality	82,100	85,300	86,600	85,900	81,900
Other Services	28,500	28,300	29,000	29,600	28,700
Federal Government	12,800	12,600	12,400	12,500	12,700
State Government	102,500	105,400	109,600	111,400	111,800
Local Government	108,800	110,400	113,100	114,300	114,000
Total, All Industries (3)	888,300	906,600	911,000	890,200	842,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

Listed below are the major employers for the County of Sacramento.

COUNTY OF SACRAMENTO
Major Employers
(As of January 1, 2010)

Employer Name	Location	Industry
Air Resources Board	Sacramento	State Government-Environmental Programs
Ampac Fine Chemicals Llc	Rancho Cordova	Chemicals-Manufacturers
California Prison Industry Aut	Folsom	State Government-Correctional Institutions
California Square Dance Cncl	Sacramento	Dancing Instruction
Child Abuse Prevention Office	Sacramento	Government-Individual/Family Social Svcs
Corrections Dept	Sacramento	State Govt-Correctional Institutions
CSUS	Sacramento	Schools-Universities & Colleges
Delta Dental	Rancho Cordova	Insurance
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Education Dept	Sacramento	State Government-Education Programs
Electrical Workers	Sacramento	Labor Organizations
Employment Development Dept	Sacramento	Government-Job Training/Voc Rehab Svcs
Environmental Protection Agcy	Sacramento	State Government-Environmental Programs
Intel Corp	Folsom	Computers-System Designers & Consultants
Mercy San Juan Medical Ctr	Carmichael	Hospitals
Municipal Services Agency	Sacramento	Grading Contractors
Sacramento Bee	Sacramento	Newspapers (Publishers/Mfrs)
Sacramento State	Sacramento	Schools-Universities & Colleges
SMUD	Sacramento	Electric Companies
SMUD	Sacramento	Electric Companies
Social Services Dept	Sacramento	State Government-Social/Human Resources
Sutter Memorial Hospital	Sacramento	Hospitals
UC Davis Health System	Sacramento	Physicians & Surgeons
UC Davis Medical Ctr	Sacramento	Schools-Medical
UC Davis Medical-Heart Ctr	Sacramento	Hospitals

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2010 1st Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the County of Sacramento, the State and the United States for the period 2004 through 2009.

COUNTY OF SACRAMENTO
Median Household Effective Buying Income
2004 through 2009

Year	Area	Median Household Effective Buying Income
2004	Sacramento County	$41,593
	California	43,915
	United States	39,324
2005	Sacramento County	$42,692
	California	44,681
	United States	40,529
2006	Sacramento County	$44,339
	California	46,275
	United States	41,255
2007	Sacramento County	$46,334
	California	48,203
	United States	41,792
2008	Sacramento County	$46,903
	California	48,952
	United States	42,303
2009	Sacramento County	$47,353
	California	49,736
	United States	43,252

Source: *Sales & Marketing Management Survey of Buying Power for 2004; Claritas Demographics for 2005 through 2009.*

Commercial Activity

During the first two quarters of calendar year 2009, total taxable transactions in the County were reported to be $8.0 billion, a 17.7% decrease over the total taxable sales of $9.8 billion that were reported in the County during the first two quarters of calendar year 2008. A summary of historic taxable sales within the County for calendar years 2005 through 2009 is shown in the following table. Annual figures for 2009 are not yet available.

COUNTY OF SACRAMENTO
Taxable Transactions
(Figures in Thousands)

Business	2004	2005	2006	2007	2008
Apparel Stores	$591,633	$646,188	$652,320	$653,594	$673,787
General Merchandise	2,267,632	2,381,491	2,454,816	2,447,216	2,301,556
Specialty Stores	2,045,400	2,186,836	2,236,992	(1)	(1)
Food Stores	850,531	885,721	920,753	920,698	841,011
Eating & Drinking	1,488,882	1,606,306	1,687,711	1,717,772	1,713,915
Household	708,595	735,292	653,574	548,536	577,869
Building Materials	1,630,292	1,666,931	1,511,444	1,290,861	1,036,318
Automotive	3,830,827	4,116,420	4,079,709	2,567,020	1,949,153
Service Stations	(2)	(2)	(2)	1,563,668	1,724,117
All Other Retail Stores Group	527,975	587,227	615,724	2,544,502	2,155,812
Retail Stores Total	$13,941,767	$14,812,412	$14,813,043	$14,253,867	$12,973,537
Business and Personnel Svcs	907,240	888,931	888,878	854,120	711,939
All Other Outlets	5,367,915	5,565,157	5,438,465	5,452,523	5,646,372
TOTAL ALL OUTLETS	$20,216,922	$21,266,500	$21,140,386	$20,560,510	$19,331,847

(1) Beginning in 2007, taxable transactions for Specialty Stores were included in "All Other Retail Stores Group".
(2) Beginning in 2007, taxable transactions for Service Stations were shown as a separate category, which in prior years had been included in "Automotive".
Source: California State Board of Equalization, Taxable Sales in California.

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2005 through 2009.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(Valuations in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$1,636,793.9	$840,839.0	$695,003.0	$381,937.3	$199,795.8
New Multi-family	197,923.5	207,490.6	93,457.2	113,690.7	8,310.0
Res. Alterations/Additions	215,419.4	185,078.1	208,362.1	208,941.5	173,522.6
Total Residential	2,050,136.7	1,233,407.7	996,822.2	704,569.5	381,628.4
New Commercial	285,826.0	282,477.9	356,053.5	486,728.2	76,831.2
New Industrial	52,053.0	68,027.4	35,786.2	40,037.4	3,892.4
New Other	126,475.5	284,867.5	125,149.0	124,950.7	57,847.7
Com. Alterations/Additions	270,837.0	748,077.2	371,320.4	513,791.8	369,332.1
Total Nonresidential	$735,191.5	$1,981,484.9	$888,309.1	$1,165,508.1	$507,903.4
New Dwelling Units					
Single Family	7,839	4,318	3,384	1,933	881
Multiple Family	1,910	2,345	839	1,231	92
TOTAL	9,749	6,663	4,223	3,164	973

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX F

COUNTY OF EL DORADO

The District's boundaries include portions of the County of El Dorado. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuation" in the body of the Official Statement. This section provides certain information about the economy and demographic trends in the County. However, no revenues of the County or taxes on economic activity in the County are pledged to payment of the Bonds. The Bonds are payable from an ad valorem property tax required to be levied on all taxable property within the District's boundaries in an amount sufficient to pay debt service on the Bonds as it comes due.

General and Location

The County of El Dorado (the "**County**") was incorporated as a general law county in 1850, with the City of Placerville as the county seat. In 1994 County voters adopted a county charter by majority vote under Article XI, Section 4 of the California Constitution, and the County has been organized and operating as a charter county since that time. The legislative body is a five-member Board of Supervisors, each supervisor being elected by voters within his or her supervisorial district. Because much of the County is comprised of unincorporated areas, the County provides a wide range of services through its departments and by special districts for these areas.

The County is comprised of 1,711.5 square miles encompassing a portion of Lake Tahoe on the east and reaching to the west within 25 miles of Sacramento, California, the State capitol. More than half of the land in the County is owned by the federal, state or local governments. 150 miles west of the County is San Francisco, while 400 miles south is Los Angeles. Placerville is located 44 miles east of Sacramento. The City of Lake Tahoe, sixty miles east of Placerville, is the hub of the Tahoe recreation area.

Population

The following table lists population estimates for the County as of January 1 of the years 2006 through 2010.

COUNTY OF EL DORADO
Population Estimates

Calendar Year	El Dorado County	Annual % Charge
2006	175,729	--
2007	177,766	1.6%
2008	178,860	0.6
2009	180,713	1.0
2010	182,019	0.7

Source: California State Department of Finance.

Employment and Industry

El Dorado County is in the Sacramento Metropolitan Statistical Area (**"MSA"**). See "Employment and Industry" in Appendix E for employment information for the Sacramento MSA.

Major Employers

Listed below are the major employers for the County of El Dorado.

COUNTY OF EL DORADO
Major Employers
2010

Employer Name	Location	Industry
Barton Memorial Hospital	Twin Bridges	Hospitals
Barton Memorial Hospital Ctr	South Lake Tahoe	Hospitals
Barton Memorial Hospital Rehab	South Lake Tahoe	Physical Therapists
Camp Richardson Resort	South Lake Tahoe	Resorts
Cemex	El Dorado Hills	Sand & Gravel (Whls)
Child Development Programs	Placerville	Child Care Service
Dst Output	El Dorado Hills	Computer Software
El Dorado County Human Svc	Placerville	County Government-Social/Human Resources
El Dorado County Human Svc	Placerville	County Government-Social/Human Resources
El Dorado County Sheriff	Placerville	Sheriff
El Dorado County Superior Ct	South Lake Tahoe	Government Offices-County
El Dorado Irrigation District	Placerville	Water & Sewage Companies-Utility
Embassy Suites-S Lake Tahoe	South Lake Tahoe	Hotels & Motels
Fortune 800	El Dorado Hills	Call Centers
Lak View Lodge	South Lake Tahoe	Resorts
Lake Tahoe Community College	South Lake Tahoe	Schools-Universities & Colleges Academic
Marriott-Grand Residence Tahoe	South Lake Tahoe	Resorts
Marriott-Timber Lodge	South Lake Tahoe	Hotels & Motels
Mc Clone Construction Co	Cameron Park	General Contractors
Mother Lode Bail Bonds	Placerville	Bonds-Bail
Safeway	South Lake Tahoe	Grocers-Retail
Sierra Pacific Industries	Camino	Lumber-Manufacturers
Sierra-At-Tahoe	Twin Bridges	Skiing Centers & Resorts
Spare Time Inc	El Dorado Hills	Health Clubs Studios & Gymnasiums
Walmart	Placerville	Department Stores

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2010 1st Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the County, the State and the United States for the period 2004 through 2009.

THE COUNTY OF EL DORADO
Median Household Effective Buying Income
2004 through 2009

Year	Area	Median Household Effective Buying Income
2004	El Dorado County	$47,983
	California	43,915
	United States	39,324
2005	El Dorado County	$48,638
	California	44,681
	United States	40,529
2006	El Dorado County	$50,653
	California	46,275
	United States	41,255
2007	El Dorado County	$55,630
	California	48,203
	United States	41,792
2008	El Dorado County	$53,526
	California	48,952
	United States	42,303
2009	El Dorado County	$55,873
	California	49,736
	United States	43,252

Source: *Sales & Marketing Management Survey of Buying Power 2004; Claritas Demographics for 2004 through 2009.*

Commercial Activity

During the first two quarters of calendar year 2009, total taxable transactions in the County were reported to be $729.1 million, an 18.5% decrease over the total taxable sales of $894.3 million that were reported in the County during the first two quarters of calendar year 2008. A summary of historic taxable sales within the County for calendar years 2004 through 2008 is shown in the following table. Annual figures for 2009 are not yet available.

COUNTY OF EL DORADO
Taxable Transactions
(Figures in Thousands)

Business	2004	2005	2006	2007	2008
Apparel stores group	$ 30,677	$ 38,237	$ 39,513	$ 38,806	$ 41,527
General merchandise group	128,298	134,945	133,880	145,853	152,315
Specialty stores group	145,952	154,878	150,584	(1)	(1)
Food stores group	136,489	143,796	150,320	152,666	144,637
Eating & drinking group	169,239	180,836	187,844	190,582	183,585
Household group	29,827	31,574	28,983	25,950	21,460
Building material group	117,125	138,683	144,725	135,899	114,433
Automotive group (2)	387,482	412,397	412,141	432,824	407,147
Other retail stores	46,890	56,761	62,711	180,757	165,060
Retail Stores Total	1,191,979	1,292,107	1,310,701	1,303,337	1,230,164
Business and Personal Services	78,001	84,283	86,436	85,841	81,775
All Other Outlets	427,908	474,841	501,668	507,817	475,865
TOTAL ALL OUTLETS	$1,697,888	$1,851,231	$1,898,805	$1,896,995	$1,787,804

(1) Specialty Stores Group is now included in “Other Retail Stores”.
(2) Includes “Service Stations”.
Source: California State Board of Equalization

Building and Construction

Provided below are the building permits and valuations for the County of El Dorado for calendar years 2005 through 2009.

EL DORADO COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$428,836.3	$368,126.5	$246,293.9	$122,587.6	$50,041.4
New Multi-family	13,417.8	6,190.2	24,850.0	15,519.0	358.1
Res. Alterations/Additions	41,595.4	40,043.6	43,466.8	41,035.2	26,611.4
Total Residential	483,849.4	414,360.3	314,610.6	179,141.8	77,010.9
New Commercial	42,032.2	32,156.9	40,429.5	21,500.3	10,896.6
New Industrial	2,223.4	0.0	901.8	0.0	0.0
New Other	38,370.3	37,911.0	39,225.2	28,666.3	24,827.2
Com. Alterations/Additions	17,657.2	26,379.8	30,919.7	13,261.3	15,377.1
Total Nonresidential	$100,283.0	$96,447.6	$111,476.2	$63,427.9	$51,100.9
New Dwelling Units					
Single Family	1,566	1,137	714	379	160
Multiple Family	165	52	180	142	2
TOTAL	1,731	1,189	894	521	162

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX G

COUNTY OF YOLO

The District's boundaries include portions of the County of Yolo. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuation" in the body of the Official Statement. This section provides certain information about the economy and demographic trends in the County. However, no revenues of the County or taxes on economic activity in the County are pledged to payment of the Bonds. The Bonds are payable from an ad valorem property tax required to be levied on all taxable property within the District's boundaries in an amount sufficient to pay debt service on the Bonds as it comes due.

General and Location

Yolo County is located in northern California, north of Sacramento and Solano Counties, and east of Napa County. Agriculture is the County's primary industry. The eastern two-thirds of the County consists of nearly level alluvial fans, flat plains, and basins, while the western third is largely composed of rolling terraces and steep uplands used for dry-farmed grain and range. The elevation ranges from slightly below sea level near the Sacramento River around Clarksburg to 3,000 feet along the ridge of the western mountains.

Population

The following table lists population estimates for Yolo County of California for the years 2006 to 2010:

COUNTY OF YOLO
Estimated Population

Year	Yolo County	Annual % Charge
2006	191,280	--
2007	195,354	2.1%
2008	198,326	1.5
2009	200,931	1.3
2010	202,953	1.0

Source: California State Department of Finance.

Employment and Industry

Yolo County is included in the Sacramento Metropolitan Statistical Area (**"MSA"**). See "Employment and Industry" in Appendix E for employment information for the Sacramento MSA.

Major Employers

Listed below are the major employers for the County of Yolo.

YOLO COUNTY
Major Employers
2010

Employer Name	Location	Industry
Bel Air Markets	Broderick	Grocers-Retail
Cache Creek Casino Resort	Brooks	Casinos
Cache Creek Indian Casino	Brooks	Casinos
Coventry Workers Comp Svc	Broderick	Health Plans
Mts Inc	West Sacramento	Records Tapes & Compact Discs-Retail
Nor-Cal Beverage Co Inc	West Sacramento	Beverages (Whls)
Norcal Beverage Co	West Sacramento	Vending Machines-Manufacturers
Pacific Coast Producers	Woodland	Canned Specialties (Mfrs)
Procurement Office	Broderick	State Government-General Offices
Raley's Inc	Broderick	Grocers-Retail
Raley's Pharmacy	Broderick	Pharmacies
Raleys	West Sacramento	Pharmacies
Rite Aid Customer Support Ctr	Woodland	Warehouses-Private & Public
Target Distribution Ctr	Woodland	Distribution Services
Tony's Fine Foods	Broderick	Food Brokers (Whls)
University Of California-Davis	Davis	Schools-Universities & Colleges Academic
Ups	West Sacramento	Delivery Service
Veterinary Medical Teaching	Davis	Animal Hospitals
Walgreens	Woodland	Pharmacies
Walmart Supercenter	Broderick	Department Stores
Woodland Health Ctr	Woodland	Physicians & Surgeons
Woodland Healthcare	Woodland	Hospitals
Woodland Healthcare	Woodland	Clinics
Xyratex International Inc	Broderick	Machinery-Specially Designed & Built
Yolo County District Attorney	Woodland	County Government-Legal Counsel

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2010 1st Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for Yolo County, the State and the United States for the years 2005 through 2009.

COUNTY OF YOLO
Median Household Effective Buying Income
2005 through 2009

Year	Area	Median Household Effective Buying Income
2005	Yolo County	$39,929
	California	44,681
	United States	40,529
2006	Yolo County	$41,518
	California	46,275
	United States	41,255
2007	Yolo County	$43,737
	Sacramento County	46,334
	California	48,203
	United States	41,792
2008	Yolo County	$46,874
	California	48,952
	United States	42,303
2009	Yolo County	$46,900
	California	49,736
	United States	43,252

Source: The Nielsen Company (US), Inc.

Commercial Activity

During the first two quarters of calendar year 2009, total taxable transactions in the County were reported to be $1.4 billion a 13.4% decrease over the total taxable sales of $1.6 billion that were reported in the County during the first two quarters of calendar year 2008. A summary of historic taxable sales within the County for calendar years 2004 through 2008 is shown in the following table. Annual figures for 2009 are not yet available.

COUNTY OF YOLO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	1,686	$1,590,518	3,981	$2,810,318
2005	1,784	1,709,443	4,021	3,093,540
2006	1,819	1,788,729	4,059	3,189,863
2007	1,803	1,848,578	4,084	3,259,843
2008	1,933	1,778,592	4,138	3,347,287

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Building and Construction

Provided below are the building permits and valuations for the County of Yolo for calendar years 2005 through 2009.

COUNTY OF YOLO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$306,121.0	$156,823.9	$137,454.6	$74,075.9	$58,743.6
New Multi-family	38,615.6	40,860.5	15,968.3	0.0	11,821.0
Res. Alterations/Additions	29,782.5	30,017.0	27,568.3	26,201.8	18,301.9
Total Residential	374,519.0	227,701.4	180,991.2	100,277.7	88,866.5
New Commercial	49,448.6	45,314.2	140,563.3	87,935.4	6,199.9
New Industrial	5,588.3	13,120.8	38,384.4	2,191.0	3,515.0
New Other	24,023.8	27,110.6	25,321.6	27,607.1	15,509.7
Com. Alterations/Additions	49,379.2	74,175.7	104,208.3	59,036.7	63,656.0
Total Nonresidential	$128,439.9	$159,721.4	$308,477.6	$176,770.2	$88,880.6
New Dwelling Units					
Single Family	1,366	785	724	338	240
Multiple Family	352	485	200	0	83
TOTAL	1,718	1,270	924	338	323

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX H

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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