

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-C-5

Date: December 14, 2010

Subject: 2009-2010 Independent Audit Report for the Riverside Community College District

Background: In accordance with Education Code Section 84040(b), an independent audit of the District's 2009-2010 financial statements was performed by Vavrinek, Trine, Day & Co., LLP Certified Public Accountants (VTD). A representative of the firm will be available to present the report. Results of the audit are summarized below.

Auditor's Opinion

The auditor has issued an unqualified opinion for the financial audit; an excerpt of which follows:

Financial Audit – “In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District and its discretely presented component unit as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.”

Current Year Audit Findings

There was one current year audit finding as shown on pages 81 through 83 of the accompanying audit report.

Prior Year Audit Findings

The recommendations for the prior year audit findings have been implemented as discussed on pages 85 through 88.

Adjustments to the Financial Statements

No audit adjustments were recommended.

Auditor's Required Communication – Audit Completion

In accordance with Statement on Auditing Standards No. 114, at the conclusion of the audit engagement VTD is required to communicate information to the Board of Trustees regarding their responsibility under United States Generally Accepted Auditing Standards and OMB Circular A-133, significant accounting policies, accounting estimates, significant audit adjustments and uncorrected misstatements, disagreements with management, consultation with

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

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District (continued)

other independent accountants, issues discussed prior to retention of independent auditors and difficulties encountered in performing the audit. Attached for your information is the required communication issued by VTD.

Management Recommendations

There were two reported management recommendations for fiscal year 2009-2010 as shown in the attached letter.

Recommended Action: It is recommended that the Board of Trustees receive the Riverside Community College District's independent audit report for the year ended June 30, 2010 for the permanent file of the District.

Gregory W. Gray
Chancellor

Prepared by: James L. Buysse
Vice Chancellor, Administration and Finance

Aaron S. Brown
Associate Vice Chancellor, Finance

Bill J. Bogle, Jr.
Controller



RIVERSIDE COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying basic financial statements of Riverside Community College District (the District) as of and for the years ended June 30, 2010 and 2009, and its discretely presented component unit, Riverside Community College District Foundation (the Foundation), as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District and its discretely presented component unit as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations and cash flows of Riverside Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, 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 is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 Additional Supplementary Information on pages 90 through 97 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wawrock, June, Day & Co. LLP

Rancho Cucamonga, California
November 12, 2010

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Moreno Valley College • Norco College • Riverside City College

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Riverside Community College District (the District) as of June 30, 2010. The report consists of three basic financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Riverside Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2009-2010 fiscal year, total reported resident FTES were 31,185 as compared to 30,969 in the 2008-2009 fiscal year. Total unfunded credit FTES was 4,528 at P2 for fiscal year 2009-2010 and 3,661 for fiscal year 2008-2009.
- Several construction and modernization projects at the District's three campuses resulted in completed buildings, building improvements, and improvements to sites of \$5,747,901 in the 2009-2010 fiscal year. The projects, listed below, are funded both through State construction revenues and through the District's voter approved general obligation bond, Measure C.

Safety and Site Improvement Project – Moreno Valley
CCRAA Project Success Program – Moreno Valley
Campus Beautification Project – Norco
Various Building Maintenance Projects – Norco
Stoko ECS Upgrade – Riverside

Humanities Upgrade – Moreno Valley
Safety and Site Improvement Project – Norco
Industrial Technology Building – Norco
Soccer Field – Norco
District Office Remodel



RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

- Costs for employee salaries increased by 0.57 percent or \$.66 million from the 2008-2009 fiscal year, and costs associated with employee benefits decreased by 3.46 percent or \$1.0 million. The increase in salaries expense is primarily due to a net .32 percent contractual increase, scheduled salary step increases, employee reclassifications, an increased number of categorically funded positions, and a supplementary retirement plan (SRP) enacted in fiscal year 2009-2010. In addition, the District experienced a reduction of part-time faculty as a result of the decreasing approximately 1,000 class sections during the academic year and instituted a general hiring freeze. The decrease in benefit costs is primarily due to the aforementioned part-time faculty reduction and hiring freeze.
- During the 2009-2010 fiscal year, the District provided almost \$51.0 million in financial aid to students attending classes at the three campuses. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 33,576,902
Federal Supplement Education Opportunity Grant (FSEOG)	512,892
Federal Family Education Loans (FFEL)	4,425,366
Federal Work Study Program (FWS)	579,068
Federal Academic Competitiveness Grant (ACG)	29,201
State of California Cal Grant B (CALG-B)	1,635,645
State of California Cal Grant C (CALG-C)	90,990
California Community College Board of Governor's Fee Wavier	10,154,399
Total Financial Aid Provided to Students	<u>\$ 51,004,463</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
 JUNE 30, 2010 AND 2009**

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2008</u>	<u>Change</u>
ASSETS					
Current Assets					
Cash and investments	\$ 85,170	\$ 114,452	\$ (29,282)	\$ 150,191	\$ (65,021)
Accounts receivable (net)	45,126	36,394	8,732	23,186	21,940
Other current assets	298	222	76	148	150
Total Current Assets	<u>130,594</u>	<u>151,068</u>	<u>(20,474)</u>	<u>173,525</u>	<u>(42,931)</u>
Other noncurrent assets	814	881	(67)	949	(135)
Capital assets (net)	247,976	215,168	32,808	190,938	57,038
Total Assets	<u>379,384</u>	<u>367,117</u>	<u>12,267</u>	<u>365,412</u>	<u>13,972</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	36,754	29,234	7,520	25,699	11,055
Current portion of long-term obligations	9,184	7,836	1,348	8,372	812
Total Current Liabilities	<u>45,938</u>	<u>37,070</u>	<u>8,868</u>	<u>34,071</u>	<u>11,867</u>
Long-Term Obligations	<u>137,893</u>	<u>143,500</u>	<u>(5,607)</u>	<u>148,619</u>	<u>(10,726)</u>
Total Liabilities	<u>183,831</u>	<u>180,570</u>	<u>3,261</u>	<u>182,690</u>	<u>1,141</u>
NET ASSETS					
Invested in capital assets	154,937	149,616	5,321	127,166	27,771
Restricted	35,120	26,209	8,911	34,874	246
Unrestricted	5,496	10,722	(5,226)	18,516	(13,020)
Total Net Assets	<u>\$ 195,553</u>	<u>\$ 186,547</u>	<u>\$ 9,006</u>	<u>\$ 180,556</u>	<u>\$ 14,997</u>

Cash and investments consist primarily of funds held in the Riverside County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 16 and 17.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
 JUNE 30, 2010 AND 2009**

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the Statement of Revenues, Expenses, and Changes in Net Assets on page 15.

Table 2

(Amounts in thousands)

	2010	2009	Change	2008	Change
Operating Revenues					
Tuition and fees (net)	\$ 15,133	\$ 13,776	\$ 1,357	\$ 12,494	\$ 2,639
Other operating revenues	54	22	32	98	(44)
Total Operating Revenues	<u>15,187</u>	<u>13,798</u>	<u>1,389</u>	<u>12,592</u>	<u>2,595</u>
Operating Expenses					
Salaries and benefits	143,753	144,101	(348)	135,211	8,542
Supplies and maintenance	31,635	43,770	(12,135)	35,232	(3,597)
Student financial aid	36,424	24,837	11,587	18,458	17,966
Depreciation	8,481	8,242	239	5,918	2,563
Total Operating Expenses	<u>220,293</u>	<u>220,950</u>	<u>(657)</u>	<u>194,819</u>	<u>25,474</u>
Loss on Operations	<u>(205,106)</u>	<u>(207,152)</u>	<u>2,046</u>	<u>(182,227)</u>	<u>(22,879)</u>
Nonoperating Revenues					
State apportionments	93,478	92,108	1,370	89,611	3,867
Property taxes	37,963	43,095	(5,132)	43,895	(5,932)
State revenues	4,901	4,072	829	4,288	613
Federal and State grants and contracts	57,468	52,038	5,430	36,934	20,534
Net investment income	2,133	3,899	(1,766)	8,125	(5,992)
Net interest expense	(7,313)	(7,499)	186	(7,840)	527
Other nonoperating revenues	15,632	12,282	3,350	11,399	4,233
Loss on disposal of assets	-	-	-	(390)	390
Total Nonoperating Revenue	<u>204,262</u>	<u>199,995</u>	<u>4,267</u>	<u>186,022</u>	<u>18,240</u>
Other Revenues					
State and local capital income	9,851	13,148	(3,297)	7,298	2,553
Net Increase in Net Assets	<u>\$ 9,007</u>	<u>\$ 5,991</u>	<u>\$ 3,016</u>	<u>\$ 11,093</u>	<u>\$ (2,086)</u>

The District's primary revenue is from the State apportionment calculation which is comprised of three sources: local property taxes, student enrollment fees, and State apportionment. Property taxes levied and received from property within the County decreased slightly. State apportionments increased due to increased funded base FTES and growth funding decreased.

Grant and contract revenues relate primarily to student financial aid, as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
 JUNE 30, 2010 AND 2009**

Interest income of \$2.1 million was offset by interest expense of \$7.3 million. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has decreased approximately \$1.8 million over the 2008-2009 fiscal year. Interest income and expense have decreased over fiscal year 2008-2009 due to significantly lower interest rates, the State's apportionment deferral strategy passed along to community colleges, and a lower balance of the Series C General Obligation Bond in the Riverside County Treasury during fiscal year 2009-2010. Reduced General Obligation Bond principal resulting from debt service payments have resulted in lower interest expense.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2010:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 67,137	\$ 3,528	\$ 51	\$ -	\$ 70,716
Academic support	39,257	16,300	60	-	55,617
Student services	16,070	1,572	14	-	17,656
Plant operations and maintenance	7,007	3,972	68	-	11,047
Instructional support services	4,962	384	7	-	5,353
Community services and economic development	1,686	585	1	-	2,272
Ancillary services and auxiliary operations	7,339	2,982	5	-	10,326
Student aid	-	36,425	-	-	36,425
Physical property and related acquisitions	295	210	1,895	-	2,400
Unallocated depreciation	-	-	-	8,481	8,481
Total	<u>\$ 143,753</u>	<u>\$ 65,958</u>	<u>\$ 2,101</u>	<u>\$ 8,481</u>	<u>\$ 220,293</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010 AND 2009**

Year ended June 30, 2009:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 70,311	\$ 4,069	\$ 2,887	\$ -	\$ 77,267
Academic support	38,222	24,193	1,193	-	63,608
Student services	15,529	1,913	42	-	17,484
Plant operations and maintenance	6,457	4,214	356	-	11,027
Instructional support services	4,715	421	31	-	5,167
Community services and economic development	1,663	831	1	-	2,495
Ancillary services and auxiliary operations	7,128	2,990	38	-	10,156
Student aid	-	24,837	-	-	24,837
Physical property and related acquisitions	76	417	174	-	667
Unallocated depreciation	-	-	-	8,242	8,242
Total	\$ 144,101	\$ 63,885	\$ 4,722	\$ 8,242	\$ 220,950

Changes in Cash Position

Table 4

(Amounts in thousands)

	2010	2009	Change	2008	Change
Cash Provided by (Used in)					
Operating activities	\$ (182,881)	\$ (195,963)	\$ 13,082	\$ (174,635)	\$ (8,246)
Noncapital financing activities	186,206	178,313	7,893	171,475	14,731
Capital financing activities	(34,796)	(20,268)	(14,528)	(18,167)	(16,629)
Investing activities	2,190	4,325	(2,135)	6,976	(4,786)
Net Increase (Decrease) in Cash	(29,281)	(33,593)	4,312	(14,351)	(14,930)
Cash, Beginning of Year	114,451	148,044	(33,593)	162,395	(47,944)
Cash, End of Year	\$ 85,170	\$ 114,451	\$ (29,281)	\$ 148,044	\$ (62,874)

The Statement of Cash Flows on pages 16 and 17 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. The District's primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
 JUNE 30, 2010 AND 2009**

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services, the students. The District depends upon this funding to continue the current level of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$248.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2009, the District's net capital assets were \$215.2 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through State Construction Revenues and District General Obligation Bonds. Projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 46,080	\$ 34,678	\$ (2,394)	\$ 78,364
Buildings and land improvements	200,156	5,748	-	205,904
Equipment and vehicles	25,836	3,258	(322)	28,772
Subtotal	272,072	43,684	(2,716)	313,040
Accumulated depreciation	(56,904)	(8,482)	322	(65,064)
	<u>\$ 215,168</u>	<u>\$ 35,202</u>	<u>\$ (2,394)</u>	<u>\$ 247,976</u>

Obligations

At the end of the 2009-2010 fiscal year, the District had \$139.1 million in General Obligation Bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through property tax assessments on property within the Riverside Community College District boundaries.

The District issued approximately \$110.0 million of General Obligation Bonds, Series 2011 D in October 2010. The proceeds from the issuance of this will be used for capital facility projects during the next three fiscal years.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
 JUNE 30, 2010 AND 2009**

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 145,297	\$ 749	\$ (6,994)	\$ 139,052
Other liabilities	6,039	3,967	(1,982)	8,024
Total Long-Term Obligations	<u>\$ 151,336</u>	<u>\$ 4,716</u>	<u>\$ (8,976)</u>	<u>\$ 147,076</u>
Amount due within one year				<u>\$ 9,184</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2009-2010 fiscal year on June 15, 2010.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenue by \$5.4 million. The actual results for the year showed expenditures exceeded revenues by \$2.7 million.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE RIVERSIDE COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as State apportionments, and property taxes represent approximately 86.74 percent of the total sources of revenue received within the unrestricted General Fund. The District reported a slight decrease in total reported FTES during fiscal year 2009-2010. Due to significant declines in State apportionment funding in fiscal years 2009-2010 and 2010-2011, the District offered approximately 1,360 fewer sections to reduce costs and the number of unfunded FTES. The District's fiscal year 2010-2011 adopted budget incorporated budget strategies to mitigate an estimated budget shortfall approximately totaling \$11.4 million. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Riverside Community College District at 4800 Magnolia Avenue, Riverside, California 92506.

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 509,788	\$ 531,376
Investments - unrestricted	17,338,820	16,635,941
Investments - restricted	67,321,881	97,283,646
Accounts receivable	44,720,953	35,608,317
Student accounts receivable, net	373,975	759,386
Due from fiduciary funds	30,905	27,917
Prepaid expenses	208,070	125,040
Deferred cost on issuance	67,802	67,802
Inventories	22,182	29,051
Total Current Assets	<u>130,594,376</u>	<u>151,068,476</u>
Noncurrent Assets		
Deferred cost on issuance - noncurrent portion	813,623	881,425
Nondepreciable capital assets	78,363,016	46,079,762
Depreciable capital assets, net of depreciation	169,612,747	169,088,049
Total Noncurrent Assets	<u>248,789,386</u>	<u>216,049,236</u>
TOTAL ASSETS	<u>379,383,762</u>	<u>367,117,712</u>
LIABILITIES		
Current Liabilities		
Accounts payable	12,827,717	15,318,022
Short-term borrowing	11,020,000	-
Accrued interest payable	2,583,115	2,694,959
Due to fiduciary funds	53,738	74,130
Deferred revenue	4,949,066	5,782,440
Claims liability	5,319,851	5,364,973
Compensated absences payable - current portion	1,329,711	713,698
Bonds payable - current portion	6,925,000	6,655,000
Lease obligations - current portion	14,674	14,674
Other long-term obligations - current portion	914,179	452,376
Total Current Liabilities	<u>45,937,051</u>	<u>37,070,272</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,144,304	2,141,095
Bonds payable - noncurrent portion	125,457,992	131,634,077
Net debt premium	6,668,885	7,007,782
Lease obligations - noncurrent portion	12,228	26,902
Other long-term obligations - noncurrent portion	4,609,350	2,690,212
Total Noncurrent Liabilities	<u>137,892,759</u>	<u>143,500,068</u>
TOTAL LIABILITIES	<u>183,829,810</u>	<u>180,570,340</u>
NET ASSETS		
Invested in capital assets, net of related debt	154,937,491	149,616,408
Restricted for:		
Debt service	11,451,392	14,288,845
Capital projects	11,976,608	2,375,787
Educational programs	11,692,467	9,543,831
Unrestricted	5,495,994	10,722,501
TOTAL NET ASSETS	<u>\$ 195,553,952</u>	<u>\$ 186,547,372</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 25,287,574	\$ 20,344,186
Less: Scholarship discount and allowance	(10,154,399)	(6,568,018)
Net tuition and fees	<u>15,133,175</u>	<u>13,776,168</u>
Other Operating Revenues	<u>53,357</u>	<u>21,531</u>
TOTAL OPERATING REVENUES	<u>15,186,532</u>	<u>13,797,699</u>
OPERATING EXPENSES		
Salaries	116,073,026	115,416,313
Employee benefits	27,680,221	28,685,083
Supplies, materials, and other operating expenses and services	29,532,675	39,047,761
Student financial aid	36,424,698	24,837,204
Equipment, maintenance, and repairs	2,100,884	4,721,534
Depreciation	8,481,150	8,242,147
TOTAL OPERATING EXPENSES	<u>220,292,654</u>	<u>220,950,042</u>
OPERATING LOSS	<u>(205,106,122)</u>	<u>(207,152,343)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	93,478,402	92,108,018
Federal grants	47,991,459	32,754,061
State grants	9,476,664	19,284,379
Local property taxes levied for general purposes	28,277,296	31,955,768
Local property taxes levied for capital debt	9,685,568	11,139,248
State taxes and other revenues	4,901,096	4,072,155
Investment income	1,976,617	3,529,205
Interest expense on capital related debt	(7,313,415)	(7,499,410)
Investment income on capital asset-related debt, net	156,053	369,969
Other nonoperating revenue	15,631,813	12,281,649
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>204,261,553</u>	<u>199,995,042</u>
LOSS BEFORE OTHER REVENUES	<u>(844,569)</u>	<u>(7,157,301)</u>
State revenues, capital	<u>9,851,149</u>	<u>13,148,656</u>
TOTAL OTHER REVENUES	<u>9,851,149</u>	<u>13,148,656</u>
CHANGE IN NET ASSETS	9,006,580	5,991,355
NET ASSETS, BEGINNING OF YEAR	<u>186,547,372</u>	<u>180,556,017</u>
NET ASSETS, END OF YEAR	<u>\$ 195,553,952</u>	<u>\$ 186,547,372</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 15,963,379	\$ 13,822,365
Short-term borrowings	11,020,000	-
Payments to vendors for supplies and services	(30,810,128)	(42,056,555)
Payments to or on behalf of employees	(142,682,457)	(142,913,546)
Payments to students for Federal direct student aid	(34,698,063)	(23,188,527)
Payments to students for State direct student aid	(1,726,635)	(1,648,677)
Other operating receipts	53,357	21,531
Net Cash Flows From Operating Activities	(182,880,547)	(195,963,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	85,758,143	81,847,295
Federal grants and contracts	44,496,987	32,488,626
State grants and contracts	8,440,959	19,841,622
Property taxes - nondebt related	28,855,899	34,956,551
State taxes and other apportionments	7,009,438	(319,866)
Other nonoperating	11,644,992	9,498,809
Net Cash Flows From Noncapital Financing Activities	186,206,418	178,313,037
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(40,983,841)	(31,422,634)
State revenue, capital projects	9,851,149	13,148,657
Property taxes - related to capital debt	9,685,568	11,139,248
Principal paid on capital debt	(7,008,571)	(6,738,573)
Interest paid on capital debt	(7,313,415)	(7,499,410)
Interest received on capital asset-related debt	156,053	369,969
Accreted interest on general obligation bonds	748,915	666,520
Deferred cost on issuance	67,802	67,802
Net Cash Flows From Capital Financing Activities	(34,796,340)	(20,268,421)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,189,995	4,325,426
Net Cash Flows From Investing Activities	2,189,995	4,325,426
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,280,474)	(33,593,367)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,450,963	148,044,330
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 85,170,489	\$ 114,450,963

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (205,106,122)	\$ (207,152,343)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	8,481,150	8,242,147
Changes in Operating Assets and Liabilities:		
Receivables, net	385,411	(111,234)
Inventories	6,869	(9,698)
Prepaid expenses	(83,030)	(64,692)
Accounts payable and other accrued liabilities	212,681	2,513,462
Deferred revenue	202,331	202,090
Compensated absences	(437,808)	376,363
Supplementary Retirement Plan (SRP)	1,741,606	(916,229)
Other postemployment benefits (OPEB)	696,365	956,725
Short-term borrowings	11,020,000	-
Total Adjustments	<u>22,225,575</u>	<u>11,188,934</u>
Net Cash Flows From Operating Activities	<u><u>\$ (182,880,547)</u></u>	<u><u>\$ (195,963,409)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 509,788	\$ 531,376
Unrestricted cash in county treasury	17,338,820	16,635,941
Restricted cash in county treasury	67,321,881	97,283,646
Total Cash and Cash Equivalents	<u><u>\$ 85,170,489</u></u>	<u><u>\$ 114,450,963</u></u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 2,741,776</u></u>	<u><u>\$ 3,029,760</u></u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
 JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,039,336	\$ 1,880,585
Accounts receivable, net	4,820	7,563
Due from primary government funds	53,738	74,130
Total Assets	<u>\$ 2,097,894</u>	<u>\$ 1,962,278</u>
 LIABILITIES		
Accounts payable	\$ 25,172	\$ 20,708
Due to primary government funds	30,905	27,917
Due to student groups	1,111,782	1,015,519
Total Liabilities	<u>1,167,859</u>	<u>1,064,144</u>
 NET ASSETS		
Unreserved	930,035	898,134
Total Net Assets	<u>\$ 930,035</u>	<u>\$ 898,134</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ADDITIONS		
Local revenues	\$ 709,781	\$ 699,588
DEDUCTIONS		
Books and supplies	318,839	304,552
Services and operating expenditures	308,439	276,505
Capital outlay	55,172	416,367
Total Deductions	<u>682,450</u>	<u>997,424</u>
OTHER FINANCING SOURCES (USES)		
Other sources (uses)	4,570	(6,189)
Change in Net Assets	31,901	(304,025)
Net Assets - Beginning	898,134	1,202,159
Net Assets - Ending	<u>\$ 930,035</u>	<u>\$ 898,134</u>

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

***DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION***

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
 RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 4,821,413	\$ -
Restricted	1,142,251	2,437,711
Accounts receivable	14,750	2,545
Receivable due from unrestricted funds	92,255	13,841
Unconditional promises to give	185,062	122,940
Total Current Assets	<u>6,255,731</u>	<u>2,577,037</u>
Noncurrent Assets		
Investments - restricted	3,481,432	2,815,387
Long-term unconditional promises to give, net of allowance	623,500	362,729
Total Noncurrent Assets	<u>4,104,932</u>	<u>3,178,116</u>
Total Assets	<u>\$ 10,360,663</u>	<u>\$ 5,755,153</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,943,691	\$ 197,525
Borrowing from restricted funds	92,255	13,841
Obligation to Riverside Community College District	-	346,478
Total Current Liabilities	<u>5,035,946</u>	<u>557,844</u>
Long-Term Obligations		
Long-term obligation to Riverside Community College District	794,735	357,550
Total Long-Term Obligations	<u>794,735</u>	<u>357,550</u>
Total Liabilities	<u>5,830,681</u>	<u>915,394</u>
 NET ASSETS		
Unrestricted		
Undesignated	(901,131)	(887,243)
Board designated	14,141	12,289
Total Unrestricted	<u>(886,990)</u>	<u>(874,954)</u>
Temporarily restricted	2,243,501	3,011,599
Permanently restricted	3,173,471	2,703,114
Total Net Assets	<u>4,529,982</u>	<u>4,839,759</u>
Total Liabilities and Net Assets	<u>\$ 10,360,663</u>	<u>\$ 5,755,153</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Donations	\$ 152,739	\$5,266,787	\$ 179,980	\$ 5,599,506
In-kind donations				
Donated assets	161,341	-	-	161,341
Donated material	28,659	-	-	28,659
Donated services	475,958	-	-	475,958
Assets released from restrictions	5,904,347	(5,959,981)	55,634	-
Total Revenues	6,723,044	(693,194)	235,614	6,265,464
EXPENSES				
Operating expenses	410,991	-	-	410,991
Program expenses	6,381,560	-	-	6,381,560
Fundraising expenses	104,685	-	-	104,685
Total Expenses	6,897,236	-	-	6,897,236
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	1,626	2,693	10,891	15,210
Unrealized gain (loss) on investments	27,621	49,372	140,775	217,768
Interest and dividends income	9,700	22,309	64,987	96,996
Interest expense	(7,979)	-	-	(7,979)
Transfers	131,188	(149,278)	18,090	-
Total Other Income (Expense)	162,156	(74,904)	234,743	321,995
CHANGE IN NET ASSETS	(12,036)	(768,098)	470,357	(309,777)
NET ASSETS, BEGINNING OF YEAR	(874,954)	3,011,599	2,703,114	4,839,759
NET ASSETS, END OF YEAR	\$ (886,990)	\$2,243,501	\$3,173,471	\$ 4,529,982

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

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 6,266	\$ 1,728,202	\$ 276,666	\$ 2,011,134
73,727	-	-	73,727
45,310	-	-	45,310
433,102	-	-	433,102
899,717	(685,482)	(214,235)	-
<u>1,458,122</u>	<u>1,042,720</u>	<u>62,431</u>	<u>2,563,273</u>
213,757	-	-	213,757
1,223,890	-	-	1,223,890
127,734	-	-	127,734
<u>1,565,381</u>	<u>-</u>	<u>-</u>	<u>1,565,381</u>
(8,429)	(7,933)	(33,219)	(49,581)
(59,371)	(55,879)	(233,993)	(349,243)
345	325	1,362	2,032
(15,633)	-	-	(15,633)
13,366	13,572	(26,938)	-
<u>(69,722)</u>	<u>(49,915)</u>	<u>(292,788)</u>	<u>(412,425)</u>
(176,981)	992,805	(230,357)	585,467
(697,973)	2,018,794	2,933,471	4,254,292
<u>\$ (874,954)</u>	<u>\$ 3,011,599</u>	<u>\$ 2,703,114</u>	<u>\$ 4,839,759</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (309,777)	\$ 585,467
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized loss (gain) on investments	(217,768)	349,243
Contributions of long-term investments	(5,446,767)	(2,004,868)
Changes in Assets and Liabilities		
Increase in accounts receivable	(12,205)	(2,278)
Decrease in unrestricted unconditional promises to give	22,622	71,501
Increase in accounts payable	4,746,166	16,055
Decrease in refundable advances	-	(77,148)
Net Cash Flows From Operating Activities	<u>(1,217,729)</u>	<u>(1,062,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(456,631)	(467,983)
Proceeds from sale of investments	1,538,409	629,867
Net Cash Flows From Investing Activities	<u>1,081,778</u>	<u>161,884</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	90,707	93,158
Increase long-term unconditional promises to give	(322,893)	(207,978)
Collections of contributions restricted for long-term purposes	5,189,550	953,112
Net Cash Flows From Financing Activities	<u>4,957,364</u>	<u>838,292</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,821,413	(61,852)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	61,852
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,821,413</u>	<u>\$ -</u>
REQUIRED DISCLOSURE		
Interest paid	<u>\$ 7,979</u>	<u>\$ 15,633</u>

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

NOTES TO FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 1 - ORGANIZATION

The Riverside Community College District (the District) was established in 1916 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates three colleges located within western Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- **Riverside Community College District Foundation**

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Audited financial statements for the Foundation can be obtained from the Foundation's Business Office at 4800 Magnolia Avenue, Riverside, California 92506.

- **Riverside Community College District Development Corporation**

The Riverside Community College District Development Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to provide financing and acquire assets for the District. A majority of the Corporation's Board of Directors either serves by reason of their position in the District or is appointed by the District's Board of Trustees. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Riverside Community College District Development Corporation Fund as a Special Revenue Fund of the District. Individually prepared financial statements are not prepared for the Corporation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations, and are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is primarily recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and is based on reporting of full-time equivalent student (FTES) attendance. This apportionment revenue is recognized in the period the FTES are generated.

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office *Budget and Accounting Manual*.

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

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

Cash and Cash Equivalents

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pool are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$93,494 and \$325,451 for the years ended June 30, 2010 and 2009, respectively.

Prepaid Expenses

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

Inventories

Inventories consist primarily of cafeteria food and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

Accrued Liabilities and Long-term Obligations

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is available to all full-time employees based on the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) criteria.

Deferred Revenue

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

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$35,120,467 of restricted net assets.

State Apportionments

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

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to CalSTRS and CALPERS on behalf of all community colleges in California.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County of Riverside Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues.

The voters of the District passed a General Obligation Bond in 2004 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Family Education Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2010 and 2009, the District distributed \$4,425,366 and \$3,901,647, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated within the primary government funds during the consolidation process in the entity-wide financial statements.

Foundation Presentation

The Riverside Community College District Foundation presents its financial statements in accordance with requirements of FASB. Under FASB, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by FASB, the Foundation does not use fund accounting.

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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

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

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The County Treasurer also holds investments in a separate investment agreement account other than the County Pooled Investment noted above on behalf of the District. Funds in this investment agreement are strictly related to the District's general obligation bonds.

General Authorizations

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

Primary Government

Cash on hand and in banks	\$ 459,788
Cash in revolving	50,000
Investments	<u>84,660,701</u>
Total Deposits and Investments	<u><u>\$ 85,170,489</u></u>

Fiduciary Funds

Cash on hand and in banks	<u><u>\$ 2,039,336</u></u>
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Interest Rate Risk

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

Specific Identification

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

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
County Pooled Investment	<u><u>\$ 84,838,325</u></u>	1.02*

*Weighted average of maturity in years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated AAA by Fitch Ratings Ltd. as of June 30, 2010.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2010</u>	<u>Fair Market Value</u>
County Pooled Investment	Not Required	AAA	<u><u>\$ 84,838,325</u></u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District had a bank balance of \$926,824 and the fiduciary funds balance of \$1,500,633, totaling \$2,427,457 of which \$2,177,457 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over \$250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2010, \$84,660,701 is invested in the Riverside County Treasurer's Pooled Investment Fund. The Pooled Investment Fund is currently rated AAA by Fitch Ratings Ltd.

Discretely Presented Component Unit

The Foundation's deposits and investments consist primarily of cash in banks and investments within equity funds and corporate and government bonds. As of June 30, 2010, the balances held in financial institutions of \$5,745,703 were not fully insured, but were collateralized with securities held by the financial institution, but not in the Foundation's name.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	<u>2010</u>	<u>2009</u>
Federal Government		
Categorical aid	\$ 5,817,700	\$ 2,323,228
State Government		
Apportionment	19,559,392	15,024,738
Categorical aid	436,978	865,091
Lottery	1,908,303	1,806,440
Other State sources	7,155,680	8,937,772
Local Sources		
Interest	199,575	412,953
Property taxes	1,484,797	2,063,400
Riverside Community College District Foundation	794,934	704,028
Riverside County Redevelopment Agency	1,237,097	898,653
Contributions from Foundation for Aquatics Complex	4,831,506	-
Other local sources	1,294,991	2,572,014
Total	<u>\$ 44,720,953</u>	<u>\$ 35,608,317</u>
Student receivables	\$ 467,469	\$ 1,084,837
Less allowance for bad debt	<u>(93,494)</u>	<u>(325,451)</u>
Student receivables, net	<u>\$ 373,975</u>	<u>\$ 759,386</u>
Total Receivables, Net	<u>\$ 45,094,928</u>	<u>\$ 36,367,703</u>

Discretely Presented Component Unit

The Foundation's accounts receivables consist primarily of donations and unconditional promises to give. The Foundation routinely analyzes the collectability of the outstanding balance and has provided for the determined valuation.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 32,502,697	\$ -	\$ -	\$ 32,502,697
Construction in progress	13,577,065	34,677,699	2,394,445	45,860,319
Total Capital Assets Not Being Depreciated	<u>46,079,762</u>	<u>34,677,699</u>	<u>2,394,445</u>	<u>78,363,016</u>
Capital Assets Being Depreciated				
Land improvements	9,297,856	1,989,250	-	11,287,106
Buildings and improvements	190,858,397	3,758,651	-	194,617,048
Furniture and equipment	25,836,575	3,257,947	321,979	28,772,543
Total Capital Assets Being Depreciated	<u>225,992,828</u>	<u>9,005,848</u>	<u>321,979</u>	<u>234,676,697</u>
Total Capital Assets	<u>272,072,590</u>	<u>43,683,547</u>	<u>2,716,424</u>	<u>313,039,713</u>
Less Accumulated Depreciation				
Land improvements	4,933,640	428,738	-	5,362,378
Buildings and improvements	33,650,536	4,660,479	-	38,311,015
Furniture and equipment	18,320,603	3,391,933	321,979	21,390,557
Total Accumulated Depreciation	<u>56,904,779</u>	<u>8,481,150</u>	<u>321,979</u>	<u>65,063,950</u>
Net Capital Assets	<u>\$215,167,811</u>	<u>\$ 35,202,397</u>	<u>\$ 2,394,445</u>	<u>\$ 247,975,763</u>

Depreciation expense for the year was \$8,481,150.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 32,502,697	\$ -	\$ -	\$ 32,502,697
Construction in progress	41,546,052	28,582,347	56,551,334	13,577,065
Total Capital Assets Not Being Depreciated	<u>74,048,749</u>	<u>28,582,347</u>	<u>56,551,334</u>	<u>46,079,762</u>
Capital Assets Being Depreciated				
Land improvements	5,719,137	3,578,719	-	9,297,856
Buildings and improvements	137,488,061	53,370,336	-	190,858,397
Furniture and equipment	22,440,352	3,491,753	95,530	25,836,575
Total Capital Assets Being Depreciated	<u>165,647,550</u>	<u>60,440,808</u>	<u>95,530</u>	<u>225,992,828</u>
Total Capital Assets	<u>239,696,299</u>	<u>89,023,155</u>	<u>56,646,864</u>	<u>272,072,590</u>
Less Accumulated Depreciation				
Land improvements	4,604,364	329,276	-	4,933,640
Buildings and improvements	29,010,366	4,640,170	-	33,650,536
Furniture and equipment	15,143,432	3,272,701	95,530	18,320,603
Total Accumulated Depreciation	<u>48,758,162</u>	<u>8,242,147</u>	<u>95,530</u>	<u>56,904,779</u>
Net Capital Assets	<u>\$ 190,938,137</u>	<u>\$ 80,781,008</u>	<u>\$ 56,551,334</u>	<u>\$ 215,167,811</u>

Depreciation expense for the year was \$8,242,147.

The District was the beneficiary of an extensive bequest of Mine Okubo's estate, a Japanese-American artist, inclusive of paintings, works of art, reference materials, photographs, books, writings, letters, and printed material. The District took possession of the materials bequeathed from the estate of Ms. Okubo as of June 30, 2009. The District has included the collection and materials as priceless in the District's capital assets (non-depreciable assets). During the course of the next few years and as the District learns the collection's long-term historical value, the values will be added to the District's capital assets. As of June 30, 2010, the District has not recorded a value for the collection in the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>2010</u>	<u>2009</u>
Accrued payroll and benefits	\$ 827,815	\$ 1,757,188
Apportionment	-	3,185,605
Student financial aid grants	2,734,538	178,222
State categorical programs	121,293	73,545
Construction payables	7,501,255	7,195,994
Vendor payables	1,642,816	2,927,468
Total	<u>\$ 12,827,717</u>	<u>\$ 15,318,022</u>

Fiduciary Funds

Vendor payables	<u>\$ 25,172</u>	<u>\$ 20,708</u>
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Discretely Presented Component Unit

The accounts payable of the Foundation consist primarily of amounts owed to the District for the Aquatics Complex construction.

NOTE 7 - SHORT-TERM BORROWING

At June 30, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$11,020,000 bearing interest of 2.50 percent. The notes were sold to supplement cash flow. Repayment requires that a percentage of principal and interest be deposited with the fiscal agent in July 2010 until 100 percent of the total principal and interest is due at maturity in December 2010. The total outstanding Tax and Revenue Anticipation Notes of \$11,020,000 was paid in full to the fiscal agent on July 30, 2010.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2009-2010 2.50% TRANS, Series B	<u>\$ -</u>	<u>\$ 11,020,000</u>	<u>\$ -</u>	<u>\$ 11,020,000</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	<u>2010</u>	<u>2009</u>
State categorical aid	\$ 1,745,945	\$ 2,851,954
Other State aid	202,402	105,242
Enrollment fees	1,393,680	898,508
Theater subscriptions	252,371	314,986
Health and liability self-insurance	1,172,937	1,156,712
Summer community education fees	132,098	119,862
Other local	49,633	335,176
Total	<u>\$ 4,949,066</u>	<u>\$ 5,782,440</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year-end were \$1,238,013 and \$1,471,812 for the years ended June 30, 2010 and 2009, respectively. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2010 and 2009, have been eliminated within the primary government during the consolidation process for financial statement presentation.

Interfund Operating Transfers

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds, Series A	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000	\$ -
General obligation bonds, Refunding Bond 2005	55,959,077	748,915	1,495,000	55,212,992	1,740,000
Net unamortized debt premium	4,542,936	-	162,837	4,380,099	-
General obligation bonds, Series 2007 C	78,855,000	-	5,160,000	73,695,000	5,185,000
Net unamortized debt premium	2,464,846	-	176,060	2,288,786	-
Total Bonds Payable	145,296,859	748,915	6,993,897	139,051,877	6,925,000
Other Liabilities					
Compensated absences	2,854,793	-	380,778	2,474,015	1,329,711
Capital leases	41,576	-	14,674	26,902	14,674
Supplementary Retirement Plan (SRP)	1,357,128	2,193,982	452,376	3,098,734	891,172
Load banking	828,735	311,177	368,207	771,705	23,007
Other postemployment benefits (OPEB)	956,725	1,462,715	766,350	1,653,090	-
Total Other Liabilities	6,038,957	3,967,874	1,982,385	8,024,446	2,258,564
Total Long-Term Obligations	\$151,335,816	\$4,716,789	\$ 8,976,282	\$147,076,323	\$9,183,564

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds, Series A	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000	\$ -
General obligation bonds, Refunding Bond 2005	56,552,557	666,520	1,260,000	55,959,077	1,495,000
Net unamortized debt premium	4,705,774	-	162,838	4,542,936	-
General obligation bonds, Series 2007 C	83,980,000	-	5,125,000	78,855,000	5,160,000
Net unamortized debt premium	2,640,907	-	176,061	2,464,846	-
Total Bonds Payable	151,354,238	666,520	6,723,899	145,296,859	6,655,000
Other Liabilities					
Compensated absences	2,608,658	246,135	-	2,854,793	713,698
Capital leases	56,250	-	14,674	41,576	14,674
Supplementary Retirement Plan (SRP)	2,273,357	-	916,229	1,357,128	452,376
Load banking	698,507	350,174	219,946	828,735	-
Other postemployment benefits (OPEB)	-	1,474,187	517,462	956,725	-
Total Other Liabilities	5,636,772	2,070,496	1,668,311	6,038,957	1,180,748
Total Long-Term Obligations	\$156,991,010	\$2,737,016	\$8,392,210	\$151,335,816	\$7,835,748

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax collections. The capital lease payments are made by the other special revenue fund. The compensated absences are made by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the postemployment benefits Supplemental Retirement Plan and load banking obligations.

Bonded Debt

2004 General Obligation Bonds

During March 2004, voters of the District authorized the issuance and sale of general obligation bonds in the amount of \$350,000,000. As a result of the authorization, General Obligation Bonds Series 2004A "Series A Bonds" and Series 2004B (federally taxable) "Series B Bonds" were issued in August 2004. At June 30, 2010, the principal outstanding was \$3,475,000.

Series A Bonds were issued in the aggregate principal amount of \$55,205,000 with interest rates ranging from 4.00 to 5.25 percent. Series A Bonds were used to finance the acquisition, construction, and modernization of property and school facilities, to refund outstanding certificates of participation (COPs), and to pay certain costs of the bond issue. The refunded COPs are considered defeased. This current refunding was undertaken to decrease total debt service payments by \$2,762,260. The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Series B Bonds were issued to advance refund the District's outstanding certificates of participation. The refunded COPs are considered defeased. This advance refunding was undertaken to reduce total debt service payments by \$2,298,036 and to obtain an economic gain of \$237,565. The Series B Bonds have been paid in full.

The bonds are general obligations of the District. The Riverside County Board of Supervisors is obligated to levy ad valorem taxes upon all property within the District subject to taxation by the District for the payment of interest and principal on the bonds when due.

2005 General Obligation Refunding Bonds

During May 2005, the District issued 2005 General Obligation Refunding Bonds in the amount of \$58,386,109 with interest rates ranging from 3.00 to 5.00 percent. The bonds issued included \$54,425,000 of current interest bonds and \$3,961,109 of capital appreciation bonds, with the value of the capital appreciation bonds maturing to a principal balance of \$10,555,000. The bonds mature through August 1, 2024. Principal and interest on the refunded debt will be paid until such time as they can be redeemed on August 1, 2014. At June 30, 2010, the principal outstanding was \$55,212,992, and net unamortized debt premium was \$4,380,099.

The bonds are being used to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Bonds, Election of 2004, Series 2004A (the Refunding Bonds). The refunded bonds were the Series A general obligation bonds including the cost of issuance of the bonds except for \$3,745,000 of the debt. The refunded bonds are considered defeased. The bonds were issued as current interest bonds and capital appreciation bonds. Interest with respect to the current interest bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year.

Net debt premium consists of the following:

	June 30, 2010
Deferred loss on refunding	\$ (2,709,911)
Debt issue costs	(678,088)
Debt premium	7,768,098
Net unamortized debt premium	<u>\$ 4,380,099</u>

2007 General Obligation Bonds

During June 2007, the District issued the 2007 General Obligation Bonds in the amount of \$90,000,000. The bonds mature beginning on August 1, 2007 through August 1, 2032, with interest yields ranging from 3.62 to 4.47 percent. At June 30, 2010, the principal outstanding was \$73,695,000 and unamortized premium and issuance costs of \$2,288,786 and \$881,425, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the repair, acquisition, construction, and equipping of certain District facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	Accreted		Bonds	
				Outstanding July 1, 2009	Issued	Interest Addition	Redeemed	Outstanding June 30, 2010
2004	2030	4.00%-5.25%	\$ 55,205,000	\$ 3,475,000	\$ -	\$ -	\$ -	\$ 3,475,000
2005	2025	3.00%-5.00%	58,386,109	55,959,077	-	748,915	1,495,000	55,212,992
2007	2033	3.62%-4.47%	90,000,000	78,855,000	-	-	5,160,000	73,695,000
				<u>\$ 138,289,077</u>	<u>\$ -</u>	<u>\$ 748,915</u>	<u>\$ 6,655,000</u>	<u>\$ 132,382,992</u>

The General Obligation Bonds, Series A mature through 2030 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2011	\$ -	\$ 146,075	\$ 146,075
2012	500,000	136,075	636,075
2013	620,000	113,675	733,675
2014	795,000	85,375	880,375
2015	1,000,000	49,475	1,049,475
2016-2020	95,000	137,257	232,257
2021-2025	175,000	104,125	279,125
2026-2030	290,000	43,206	333,206
Total	<u>\$ 3,475,000</u>	<u>\$ 815,263</u>	<u>\$ 4,290,263</u>

The General Obligation Bonds, 2005 Refunding Bonds mature through 2025 as follows:

Fiscal Year	Principal	Accreted Interest	Current	Total
			Interest to Maturity	
2011	\$ 1,740,000	\$ -	\$ 2,366,250	\$ 4,106,250
2012	1,648,760	181,240	2,310,500	4,140,500
2013	1,505,708	509,292	2,298,250	4,313,250
2014	1,439,833	725,167	2,298,250	4,463,250
2015	1,370,225	944,775	2,298,250	4,613,250
2016-2020	16,758,466	1,386,534	10,078,875	28,223,875
2021-2025	30,750,000	-	4,146,750	34,896,750
Total	<u>\$ 55,212,992</u>	<u>\$ 3,747,008</u>	<u>\$ 25,797,125</u>	<u>\$ 84,757,125</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

The General Obligation Bonds, Series 2007 C mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 5,185,000	\$ 3,534,575	\$ 8,719,575
2012	-	3,425,500	3,425,500
2013	-	3,425,500	3,425,500
2014	-	3,425,500	3,425,500
2015	-	3,425,500	3,425,500
2016-2020	-	17,127,500	17,127,500
2021-2025	-	17,127,500	17,127,500
2026-2030	43,950,000	12,011,500	55,961,500
2031-2033	24,560,000	1,326,500	25,886,500
Total	<u>\$ 73,695,000</u>	<u>\$ 64,829,575</u>	<u>\$ 138,524,575</u>

Capital Leases

The District has utilized capital leases purchase agreements to primarily purchase land, buildings, and equipment. The current lease purchase agreement in the amount of \$26,902 will be paid through 2012.

The District's principal obligations on lease agreements with options to purchase are summarized below:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2011	\$ 17,195
2012	<u>12,228</u>
Total	29,423
Less: Amount Representing Interest	<u>2,521</u>
Present Value of Minimum Lease Payments	<u>\$ 26,902</u>

The equipment purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Equipment	\$ 138,445
Less: Accumulated depreciation	<u>(53,484)</u>
Total	<u>\$ 84,961</u>

Amortization of the leased equipment under capital lease is included with depreciation expense.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Supplementary Retirement Plan

The District has adopted the Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plan (SRP), a retirement incentive program. As of June 30, 2010, the outstanding balance was \$3,098,734. See Note 14 for additional information regarding the SRP obligation.

<u>Fiscal Year</u>	<u>SRP Payment</u>
2011	\$ 891,172
2012	891,173
2013	438,796
2014	438,797
2015	438,796
Total	<u>\$ 3,098,734</u>

Compensated Absences

The long-term obligation of the compensated absences for the District at June 30, 2010, amounted to \$2,474,015.

Other Postemployment Benefit Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2009. The District's annual OPEB cost for the year ended June 30, 2010, was \$1,462,715, and contributions made by the District during the year were \$766,350, which resulted in a change to the net OPEB obligation of \$696,365. As of June 30, 2010, the net OPEB obligation was \$1,653,090. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

Load Banking

The long-term obligation of the load banking for the District at June 30, 2010, amounted to \$771,705

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with approved Board policy.

Plan Description

The Riverside Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 70 retirees and beneficiaries currently receiving benefits and 678 active Plan members.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2009-2010, the District contributed \$766,350 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB 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 payments of GASB Statement No. 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 accrued liabilities (UAAL) (or funding costs) 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 to the Plan:

Annual required contribution	\$ 1,474,187
Interest on net OPEB obligation	47,836
Adjustment to annual required contribution	<u>(59,308)</u>
Annual OPEB cost (expense)	1,462,715
Contributions made	<u>(766,350)</u>
Increase in net OPEB obligation	696,365
Net OPEB obligation, beginning of year	<u>956,725</u>
Net OPEB obligation, end of year	<u><u>\$ 1,653,090</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,474,187	\$ 517,462	35%	\$ 956,725
2010	\$ 1,462,715	\$ 766,350	52%	\$ 1,653,090

Funding Status and Funding Progress

The schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 9,766,024
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 9,766,024</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u><u>N/A</u></u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The above noted actuarial accrued liability was based on the July 1, 2007, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections 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 the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the unit credit cost method was used. Under this method, there are no liabilities dependent on salary, therefore, no salary increase rate is assumed. The actuarial assumptions include healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2007, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2010, the District finances its OPEB contributions using a pay-as-you-go method. The District has not established a plan or equivalent arrangement that contains an irrevocable trust.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District has coverage up to \$20,000,000 for liability and tort risks. This coverage is subject to a \$100,000 self-insured retention. The District carries replacement coverage on its buildings and furniture and equipment with limits of \$295,277,000 and a \$100,000 deductible. Employee health benefits are covered by the employees enrolling in either one of two health maintenance organizations or in the District's self-insured health plan. The District's self-insured limit for the self-insured plan is \$100,000, and it purchases insurance coverage for the excess claims. The District purchases coverage for the dental benefits from a joint powers authority.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2010, the District contracted with the Alliance of Schools for Cooperative Insurance Program Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Workers' Compensation

For fiscal year 2009-2010, the District participated in the Schools Excess Liability Fund Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$350,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / JPA Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Schools Excess Liability Fund (SELF)	Workers' Compensation	\$ 2,000,000
Schools Excess Liability Fund (SELF)	Excess Liability	\$ 20,000,000
Alliance of Schools for Cooperative Insurance Program (ASCIP)	Property and Liability	\$ 1,000,000

Employee Medical Benefits

The District has contracted with Kaiser Permanente, Health Net, and the RCCD Plan to provide employee medical benefits. The District provides health and welfare benefits to all full-time and permanent part-time employees (20 hours or more) and their dependents. Those employees working less than full-time will receive a pro-rata share of the benefit package. Employees in positions less than 20 hours per week do not receive any fringe benefits.

If the employee elects not to enroll for health insurance coverage from one of the carriers provided by the District, such employee must provide evidence of other health insurance coverage.

- Medical - The employee has a choice of Kaiser Permanente, Health Net, or the RCCD Plan. The employee may elect to change carriers once per year during open enrollment. Normally, such election shall be effective October 1 of each year.
- Dental - Delta insurance coverage for employees and dependents shall be provided by the District. All employees shall participate in the program.
- Life Insurance - The District provides a \$50,000 life insurance policy by a carrier designated by the District. All employees shall participate in this life insurance program.

Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claim's flow. The Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

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

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Self- Insurance
Liability Balance, July 1, 2008	\$ 3,302,565
Claims and changes in estimates	9,430,110
Claims payments	<u>(7,367,702)</u>
Liability Balance, June 30, 2009	5,364,973
Claims and changes in estimates	6,020,427
Claims payments	<u>(6,065,549)</u>
Liability Balance, June 30, 2010	<u>\$ 5,319,851</u>
Assets available to pay claims at June 30, 2010	<u><u>\$ 7,654,724</u></u>

The District records an estimated liability for indemnity health care, workers' compensation, torts, and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of the reported claims including future claim adjustment expenses and an estimate for claims incurred, but not reported based on historical experience. The estimated liabilities are calculated using historical experience and internal actuarial analysis.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement 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).

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

CalSTRS

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 and disability benefits, annual cost-of-living adjustments, 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$5,301,072, \$5,560,357, and \$5,207,094, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), 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 District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$3,606,582, \$3,263,162, and \$3,003,354, respectively, and equaled 100 percent of the required contributions for each year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$2,741,776, \$3,029,760, and \$2,824,786 (4.267 percent) of salaries subject to CalSTRS for the years ending June 30, 2010, 2009, and 2008, respectively. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and Section 457. The plans, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the Financial Agent, until paid or made available to the employee or other beneficiary.

The CalSTRS 403b Comply is the Financial Agent for the District.

Public Agency Retirement System (PARS) - Alternate Retirement System

The Omnibus Budget Reconciliation Act of 1990 [Internal Revenue Code Section 3121 (b) (7) (F)] requires State and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security.

The District is a member of the Public Agency Retirement System (PARS), a multiple-employer retirement trust established in 1990 by a coalition of public employers. The plan covers the District's part-time, temporary, and other employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes the total 7.5 percent. District employees are covered under PARS Number 763 as of June 30, 2010. Total contributions to the plan amounted to \$769,300.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 14 - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) SUPPLEMENTARY RETIREMENT PLAN (SRP)

The District has adopted the Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plan (SRP). This SRP is designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRP must be a Faculty, Academic, Classified Management, Classified Non-Management, or Confidential Employee, is at least age fifty-five (55) with ten (10) or more years of full-time equivalent District service from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board of Trustees). In order for the District to reach fiscal goals, a minimum number of participants were required to enroll in the SRP during the fiscal years June 30, 2010 and 2009, which amounted to 33 and 35, respectively. The benefits provided under the SRP are funded in five (5) annual contributions. (See Note 10.)

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the School Excess Liability Fund (SELF), the Riverside Community College - County Superintendent Self-Insurance Program for Employees (RCCCSSIPE), the Riverside Employers/Employees Plan (REEP), and the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

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

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

During the year ended June 30, 2010, the District made payments of \$335,046, \$12,296, \$11,955, and \$694,786 to SELF, RCCCSSIPE, REEP, and ASCIP, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

Operating Leases

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

Year Ending June 30,	Lease Payment
2011	\$ 3,300,899
2012	2,638,446
2013	4,359
2014	4,359
Total	<u>\$ 5,948,063</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009**

Construction Commitments

As of June 30, 2010, the District had the following budgetary commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Spent to Date	Budgeted Construction Commitment	Expected Fiscal Year Completion
District - ADA Transition Plan	\$ 545,530	\$ 5,814,470	12-13
District - Alumni Carriage House Restoration Project	2,035	13,965	10-11
District - Citrus Street Savings and Loans Gallery - Market Street	16	3,999,984	12-13
District - Feasibility and Planning	497,233	1,506,501	10-11
District - Market Street Project	147,050	6,852,950	13-14
District - Utility Infrastructure	429,933	6,570,067	12-13
Moreno Valley - Academic Services Facility Project	645,284	18,753,446	13-14
Moreno Valley - Administrative Move to Humanities	25,990	785,754	12-13
Moreno Valley - Allied Health Redistribution	3,754,364	859,564	11-12
Moreno Valley - Ben Clark Training Center Status Project	32,110	14,623,012	11-12
Moreno Valley - Center for Human Performances	93,786	18,459,214	14-15
Moreno Valley - Food Service Remodel	2,381,775	1,198,225	10-11
Moreno Valley - Health Science Center	147,296	27,393,404	11-12
Moreno Valley - Learning Gateway Building	2,013,768	29,786,232	10-11
Moreno Valley - March Dental Education Center	81,669	15,189,331	14-15
Moreno Valley - Network Operations Center	70,617	2,942,740	12-13
Moreno Valley - Science Laboratories Remodel Project	143,425	356,575	12-13
Norco - Center for Health Wellness and Kinesiology	83,000	23,810,000	14-15
Norco - ECS Upgrade and Retrofit Project	124,642	248,389	10-11
Norco - Network Operations Center	733,149	16,101,476	12-13
Norco - Secondary Effects Projects	781,366	15,227,638	12-13
Norco - Student Support Center	13,270,716	6,723,784	10-11
Riverside - Aquatic Complex	4,743,120	9,288,005	11-12
Riverside - Black Box Theatre Remodel Project	10,955	750,795	11-12
Riverside - Coil School of the Arts	907,642	61,950,358	12-13
Riverside - Cosmetology Building	110,400	13,629,600	14-15
Riverside - Nursing/Science Project	17,533,079	68,171,154	11-12
Riverside - Phase II Wheelock Gymnasium Seismic Retrofit	1,845,714	17,356,037	10-11
Riverside - Quad Basement Remodel	24,255	443,245	11-12
Riverside - Technology Building A Remodel	11,375	923,625	11-12
	<u>\$ 51,191,294</u>	<u>\$ 389,729,540</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office, as well as private donations and Redevelopment Agency funding.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Deferral of State Apportionments

The State legislature had not enacted a budget as of June 30, 2010. The State budget was adopted on October 8, 2010. As a result, certain apportionments owed to the Community College District System and the Riverside Community College District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$19,260,457. As of July 16, 2010, this amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the Colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010; fully 100 days beyond the July 1 requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and the Riverside Community College District specifically, were suspended for the period between July 2010 and October 2010. For Riverside Community College District, this is approximately \$38.2 million.

In addition to the deferral of cash payments, actual reductions in the funding of FTES have cost the District over \$4 million in State apportionment funding and a cap on funded FTES has been imposed. The District has continued to serve students in excess of the State funded level which has resulted in approximately \$20 million of lost revenue. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending Riverside Community College District.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding and has issued short-term borrowings to cover the cash shortfalls. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the educational program goals.

NOTE 17 - SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

The District issued \$7,355,000 of Tax and Revenue Anticipation Notes dated July 1, 2010. The notes mature on March 1, 2011, with an interest rate of 2.0 percent, and yield of .60 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2011 until 100 percent of principal and interest due is on account in March 2011.

General Obligation Bonds

During November 2010, the District issued general obligation bonds in the amount of \$110,000,000 to be used to finance the repair, acquisition, construction, and equipping of certain District facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. Interest rates on the bonds range from 4.72 to 12.00 percent for the length of the issuance. The bonds will mature on August 1, 2040.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ -	\$ 9,766,024	\$ 9,766,024	0.00%	N/A	N/A

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

The Riverside Community College District was founded in 1916 and is comprised of an area of approximately 440 square miles located in the western portion of Riverside County. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (ACCJC, WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

The District is currently comprised of three Colleges: Riverside, Norco, and Moreno Valley Colleges.

On January 29, 2010, two of the District's colleges, Moreno Valley College and Norco College, were granted accreditation by WASC on the basis of their comprehensive evaluation.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Virginia Blumenthal	President	December 2010
Janet Green	Vice President	December 2010
Mark A. Takano	Secretary	December 2012
Mary Figueroa	Member	December 2012
Jose Medina	Member	December 2010

ADMINISTRATION

Dr. Gregory Gray	Chancellor
Dr. James L. Buysse	Vice Chancellor, Administration and Finance
Dr. Ray Maghroori	Vice Chancellor, Educational Services
Ms. Melissa Kane	Vice Chancellor, Diversity and Human Resources

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Water Quality Research	10.223		\$ 50,080
GS-5 Certified: Increasing Soil Science Education	10.223		100,284
Pass through California Department of Education (CDE) Child and Adult Care Food Program	10.558	[1]	24,084
Total U.S. Department of Agriculture			<u>174,448</u>
U.S. DEPARTMENT OF DEFENSE			
Procurement Assistance Center (PAC)	12.002	SP4800-09-2-0848	249,418
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass through from the City of Riverside Market Developer Cooperator Program - CITD	14.218	[1]	23,617
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
WIA Cluster			
Pass through from California Community College Chancellor's Office Governor's 15% WIA Funds for Allied Health Programs	17.258	08-115-14	172,386
ARRA - Allied Health Program Stimulus Phase II Expansion	17.258	09-127-01	107,675
Pass through from Riverside County (EDA) ARRA - Community College Class Size Training	17.258/17.260	2009/2011-179-201-501	645,208
ARRA - Summer Work Experience Program	17.259	SWEP 2009-179-107-R-RCCD	416,564
ARRA - Summer Work Experience Program	17.259	SWEP 2010-179-107-R-RCCD	13,767
Subtotal WIA Cluster			<u>1,355,600</u>
Pass through from California Community College Chancellor's Office California Transportation and Logistics Institute (CaTLI)	17.269	07-064-01	15,359
ARRA - Southern CA Logistics Tech Collaborative	17.275	GJ-20040-10-60-A-6	41,863
Total U.S. Department of Labor			<u>1,412,822</u>
U.S. DEPARTMENT OF STATE BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS			
Pass through from Foundation for California Community College (FCCC) Community College Initiative for Egypt	19.009	S-ECAAS-09-CA-178(TG)	205,573
Community College Initiative for Egypt Phase II	19.009	S-ECAAS-09-CA-178(TG)	17,705
Total U.S. Department of State Bureau of Educational and Cultural Affairs			<u>223,278</u>
NATIONAL ENDOWMENT FOR THE ARTS			
NEA Challenge America	45.024		10,000
NATIONAL SCIENCE FOUNDATION			
Logistics Technicians: Goods to Go	47.076		170,704
National Center of Logistic and Supply Chain Tech Planning	47.076		21,459
Total National Science Foundation			<u>192,163</u>
SMALL BUSINESS ADMINISTRATION			
Pass through from California State University, Fullerton Auxiliary Services Corporation			
Small Business Development Center	59.037	9-603001-Z-0066-07-01	193,000
Tri-Tech Small Business Development Center	59.037	0-603001-Z-0066-08	126,120
Total Small Business Administration			<u>319,120</u>

[1] Pass-Through Identifying Number not available.

(Continued)

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veteran Outreach Program - Administration	64.000		\$ 6,419
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
Student Support Services Program	84.042A		246,499
Upward Bound Program	84.047A		821,155
Subtotal TRIO Cluster			<u>1,067,654</u>
Success by Design: A Demonstration Model for Institutional Partnerships Serving Out-of-School Youth	84.353A		210,917
Student Financial Assistance Cluster			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		512,892
FSEOG Administrative	84.007		32,242
Federal Family Education Loans (FFEL)	84.032		4,425,366
Federal Work Study Program (FWS)	84.033		579,068
Federal Work Study Administrative	84.033		33,714
Federal Pell Grants (PELL)	84.063		33,576,902
Federal Pell Administrative	84.063		72,888
Academic Competitiveness Grant (ACG)	84.375		29,201
Subtotal Student Financial Assistance Cluster			<u>39,262,273</u>
HIGHER EDUCATIONAL ACT			
Higher Education - Institutional Aid	84.031		1,668,556
Pass through from Chaffey Community College District Title V - Cooperative	84.031	P031S040030	67,378
COLLEGE COST REEDUCATION AND ACCESS ACT			
CCRAA - Access to Success	84.031		445,309
CCRAA - Project Success Program	84.031		1,325,811
CCRAA - Step up to Success Cooperative	84.031		1,023,358
Subtotal Higher Education - Institutional Aid			<u>4,530,412</u>
Fund for Improvement of Post-Secondary Education (FIPSE)	84.116B		31,947
Child Care Access Means Parents in School (CCAMPIS)	84.335A		19,585
Pass through from University of California, Riverside Teacher Quality Enhancement Grants	84.336	S00093	25,540
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community College Chancellor's Office			
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	09-342-007	153,233
Career and Technical Education, Title I-C	84.048	09-C01-045	895,019
Technical Preparation	84.243	09-139-960	201,814
Pass through from California Department of Education (CDE)			
Technical Preparation Regional Coordination	84.243	CN090077	233,300

[1] Pass-Through Identifying Number not available.

(Continued)

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
REHABILITATION ACT			
Pass through from California Department of Rehabilitation (DOR)			
Vocational Rehabilitation Cluster			
Workability	84.126A	26958	\$ 275,380
ARRA - Workability	84.390A	27785A	5,617
Subtotal Vocational Rehabilitation Cluster			<u>280,997</u>
ELEMENTARY AND SECONDARY EDUCATION ACT			
FIE Earmark Grant Awards	84.215K		27,057
Passed through from California Community College Chancellor's Office			
ARRA State Fiscal Stabilization Funds (SFSF)	84.394	[1]	515,937
Total U.S. Department of Education			<u>47,455,685</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Nurse Education, Practice and Retention	93.359		322,879
Health Care and Other Facilities - HRSA	93.887		188,543
Pass through from California Community College Chancellor's Office			
TANF Cluster			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	100,423
ARRA Emergency Contingency Funds for TANF	93.714	[1]	39,457
Pass through from Riverside County, Workforce Development Center			
ARRA Subsidized Time-Limited Employment Program (STEP)	93.714	PY2009/2010-098-179	17,451
Subtotal TANF Cluster			<u>157,331</u>
Foster Care Education Program	93.658	CS-01436-01	67,264
Pass through from Yosemite Community College District			
Early Childhood Study - Consortium Grant	93.575	09-10-4165	17,499
Pass through from Foundation for California Community College (FCCC)			
Child Development Careers (TANF CDC) Program	93.575	0810-35	125,604
Pass through from Riverside County Department of Public Social Services			
Foster Care Education Program	93.658	[1]	65,240
Independent Living Skills - Emancipation Services	93.674	CS-01175-01	1,099,562
Pass through from Riverside County Office of Education (RCOE)			
Independent Living Program	93.674	C-1002032	63,520
Pass through from Riverside County, Community Action Partnership			
ARRA CAP of Riverside County Culinary	93.710	CAP-09-033	153,674
Pass through from California Department of Health Services			
Medical Assistance Program (MAA)	93.778	[1]	88,822
Total U.S. Department of Health and Human Services			<u>2,349,938</u>
Total Expenditures of Federal Awards			<u>\$ 52,416,908</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program (BFAP) - unrestricted	\$ 107,798	\$ -	\$ 107,798
Board Financial Assistance Program (BFAP) - restricted	937,900	52,906	990,806
Basic Skills/ESL 2007-2008	-	323,417	323,417
Basic Skills/ESL 2008-2009	-	547,606	547,606
Basic Skills/ESL 2009-2010	453,827	-	453,827
Part Time Faculty Insurance	7,165	-	7,165
Part Time Faculty Office Hours	53,726	-	53,726
Part Time Faculty Compensation	568,878	-	568,878
Homeowner Property Tax Relief	415,000	-	415,000
State Tax Subventions	-	-	-
State Lottery - Non-Proposition 20	2,869,990	-	2,869,990
CARE	81,710	-	81,710
CTE Fiscal Agent	-	344,249	344,249
CTE Strengthening Career Tech Ed SB 70	-	-	-
CTE Community Collaborative Project UNITE	-	184,847	184,847
CTE Community Collaborative Project 2008-2009	-	400,000	400,000
CTE Community Collaborative Project 2009-2010	310,000	-	310,000
CTE Community Collaborative Project Supplement	79,000	100,000	179,000
CTE Teacher Preparation Pipeline	25,810	-	25,810
CTE Entrepreneurship Career Pathways	-	9,224	9,224
CTE Enrollment Growth and Retention AND-RN	114,000	483,235	597,235
CTE Enrollment Growth and Retention AND-RN 2009-2010	593,438	-	593,438
CTE Workforce Innovation Partnership	150,000	-	150,000
CAHSEE Prep Program 2008-2009	-	39,741	39,741
CAC/DOJ Music Presenting	15,000	-	15,000
California Articulation Number (CAN)	-	4,000	4,000
Song Brown Nursing 2008-2010	-	99,615	99,615
Song Brown Nursing 2009-2011	200,000	-	200,000
Song Brown Special Project Mental Health	99,808	-	99,808
Song Brown RN Special Programs	6,598	9,632	16,230
Physician's Assistant Base	107,000	-	107,000
Extended Opportunity Program and Service - (EOPS)	483,527	23,492	507,019
Instructional Equipment and Library Materials	-	66,011	66,011
TTIP Plan E - Library Automation	-	7	7
TTIP TCO	-	250	250
Matriculation Grant	867,196	21,915	889,111
Matriculation Grant - Noncredit	-	-	-

See accompanying note to supplementary information.

Program Revenues						Program Expenditures
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue		
\$ 107,798	\$ -	\$ -	\$ -	\$ 107,798	\$ 107,798	
990,806	-	-	38,576	952,230	952,230	
323,417	-	-	-	323,417	323,417	
547,606	-	-	135,849	411,757	411,757	
453,827	-	-	266,066	187,761	187,761	
(5,146)	-	-	-	(5,146)	-	
27,453	-	-	-	27,453	27,453	
568,878	-	-	-	568,878	568,878	
458,832	2	-	-	458,834	458,834	
801	-	-	-	801	801	
2,336,769	1,409,091	-	-	3,745,860	3,745,860	
81,710	-	-	-	81,710	81,710	
341,999	-	-	-	341,999	341,999	
(35,343)	-	-	-	(35,343)	-	
184,847	-	6,694	-	178,153	178,153	
400,000	-	-	143,453	256,547	256,547	
310,000	-	-	309,958	42	42	
179,000	-	-	108,504	70,496	70,496	
12,475	11,354	-	-	23,829	23,829	
9,223	-	430	-	8,793	8,793	
597,235	-	-	61,654	535,581	535,581	
498,488	-	-	415,100	83,388	83,388	
-	-	-	-	-	-	
38,635	-	-	-	38,635	38,635	
-	15,000	-	-	15,000	15,000	
4,000	-	2,393	-	1,607	1,607	
74,595	25,020	-	-	99,615	99,615	
74,980	23,695	-	-	98,675	98,675	
-	-	-	-	-	-	
2,644	1,442	-	-	4,086	4,086	
49,990	57,010	-	-	107,000	107,000	
507,019	-	-	-	507,019	507,019	
66,011	-	-	26,003	40,008	40,008	
7	-	-	-	7	7	
250	-	-	-	250	250	
889,092	-	-	-	889,092	889,092	
(17)	17	-	-	-	-	

(Continued)

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Staff Development	\$ -	\$ 15,830	\$ 15,830
Foster Care Education Program	69,622	-	69,622
Middle College High School	99,527	586	100,113
Economic Development - Center for Applied Competitive Technology	101,670	20,315	121,985
Economic Development - Center for International Trade Development	101,670	-	101,670
Economic Development - CITD State Leadership	85,552	-	85,552
EWD Regional Consortia Demonstration Project	-	55,491	55,491
Staff Diversity	11,079	61,720	72,799
CA Civil Liberties Public Ed Program	20,000	-	20,000
Disabled Student Program and Services - DSPS	1,120,143	-	1,120,143
Nursing Faculty Recruitment and Retention	-	172,984	172,984
CalWORKS	247,177	-	247,177
CalWORKS Community College Set-Aside	150,000	-	150,000
RCOE Zenith Mentoring Foster Youth/ILP	66,000	-	66,000
Equipment for Nursing and Allied Health Programs	-	3,342	3,342
ECP - CITD Leadership	50,000	-	50,000
ECP - SBDC	35,000	-	35,000
ECP - CITD	35,000	-	35,000
CITD HUB FP3	60,010	-	60,010
CACT HUB FP3	60,010	-	60,010
Small Business Development Center State CCCCCO	24,798	-	24,798
State Lottery - Proposition 20	239,818	-	239,818
CHILD DEVELOPMENT FUND			
Campus Child Care Tax Bailout	70,346	-	70,346
Child Nutrition Program	-	-	-
STUDENT FINANCIAL AID FUND			
Cal Grant B and C	1,726,635	-	1,726,635
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 15,830	\$ -	\$ -	\$ 9,684	\$ 6,146	\$ 6,146
35,694	31,189	-	-	66,883	66,883
49,142	50,762	-	-	99,904	99,904
138,518	16,187	8,478	-	146,227	146,227
85,403	16,267	-	-	101,670	101,670
72,864	13,688	1,000	-	85,552	85,552
54,537	-	-	-	54,537	54,537
72,799	-	-	44,801	27,998	27,998
15,000	4,983	-	-	19,983	19,983
1,120,143	-	-	-	1,120,143	1,120,143
172,984	-	-	136,365	36,619	36,619
291,915	-	49,185	-	242,730	242,730
150,000	-	43,314	-	106,686	106,686
-	22,894	-	-	22,894	22,894
3,341	-	1,090	-	2,251	2,251
50,000	-	-	49,932	68	68
35,000	-	339	-	34,661	34,661
35,000	-	29	-	34,971	34,971
52,025	9,602	1,617	-	60,010	60,010
6,718	54,354	6,719	-	54,353	54,353
20,835	3,955	6	-	24,784	24,784
91,142	499,212	-	-	590,354	590,354
70,348	-	-	-	70,348	70,348
1,217	240	-	-	1,457	1,457
1,642,098	79,320	85,773	-	1,635,645	1,635,645
<u>\$ 14,380,434</u>	<u>\$ 2,345,284</u>	<u>\$ 207,067</u>	<u>\$ 1,745,945</u>	<u>\$ 14,772,706</u>	<u>\$ 14,813,195</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
 GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE
 AS OF JUNE 30, 2010**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
Credit Full-Time Equivalent Student (FTES)			
A. Summer Intersession (Summer 2009 only)			
1. Credit	3,163	-	3,163
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)			
1. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) - Weekly Census Contact Hours	19,979	-	19,979
(b) - Daily Census Contact Hours	2,606	-	2,606
2. Actual Hours of Attendance			
(a) - Credit	1,592	-	1,592
3. Alternative Attendance Accounting Procedure			
(a) - Weekly Census Procedure Courses	2,246	-	2,246
(b) - Daily Census Procedure Courses	1,375	-	1,375
Subtotal	<u>30,961</u>	<u>-</u>	<u>30,961</u>
Noncredit FTES			
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	72	-	72
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)			
1. Noncredit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Actual Hours of Attendance			
(a) - Noncredit	152	-	152
2. Alternative Attendance Accounting Procedure			
(a) - Noncredit Independent Study	-	-	-
Subtotal	<u>224</u>	<u>-</u>	<u>224</u>
Total FTES	<u>31,185</u>	<u>-</u>	<u>31,185</u>
Supplemental Information (subset of above information)			
In-Service Training Courses (FTES)			495
Basic Skills Courses			
1. Noncredit			29
2. Credit			2,381
Total Basic Skills FTES			<u>2,410</u>

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
 WITH FUND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Unrestricted General Fund	Capital Outlay Projects
	<u> </u>	<u> </u>
June 30, 2010, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	<u>\$ 10,468,684</u>	<u>\$ 57,074,513</u>
Post-Closing Adjustments		
Adjustments to (Decrease) Increase Fund Balance		
Accounts receivable	(25,000)	(2,110,481)
Accounts payable	-	1,108,204
Net Adjustments	<u>(25,000)</u>	<u>(1,002,277)</u>
Audited Fund Balance	<u><u>\$ 10,443,684</u></u>	<u><u>\$ 56,072,236</u></u>

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2010**

**Amounts Reported for Governmental Activities in the Statement
 of Net Assets are Different Because:**

Total Fund Balance and Retained Earnings:

General Funds	\$ 22,136,151	
Special Revenue Funds	233,563	
Capital Outlay Projects	56,072,236	
Debt Service Funds	14,034,507	
Proprietary Fund	2,550,034	
Total Fund Balances - All District Funds	95,026,491	\$ 95,026,491

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	313,039,713	
Accumulated depreciation is	(65,063,950)	247,975,763

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(2,583,115)

Governmental funds report cost of issuance associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized in the statements of activities.

Cost of issuance at year end amounted to:		881,425
---	--	---------

Long-term obligations at year end consist of:

Bonds payable	139,051,877	
Capital leases payable	26,902	
Compensated absences	2,474,015	
Load banking	771,705	
Early retirement (Golden Handshake)	3,098,734	
Other postemployment benefits (OPEB)	1,653,090	
Less compensated absences already recorded in funds	(1,329,711)	(145,746,612)
Total Net Assets	195,553,952	\$ 195,553,952

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2010**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students and other differences related to revenue recognition principles.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 47,991,459
Federal Family Education Loans (FFEL)	84.032	4,425,366
Upward Bound Program	84.047A	(3)
Student Support Services	84.042A	86
Total Expenditures of Federal Awards		<u>\$ 52,416,908</u>

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Technical Preparation Regional Coordination	84.243	\$ 13,333
Technical Preparation	84.243	134,765
Independent Living Skills - Emancipation Services	93.674	67,829
Total Pass-Through		<u>\$ 215,927</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment - Annual (Actual) Attendance

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

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

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

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

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

INDEPENDENT AUDITORS' REPORTS



**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***

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the basic financial statements of Riverside Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 12, 2010. We conducted our audits 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 audits, we considered Riverside Community College 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 Riverside Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside Community College 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 audits 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 2010-1.

We noted certain matters that we reported to management of Riverside Community College District in a separate letter dated November 12, 2010.

Riverside Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Riverside Community College District's response and, accordingly, express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Warriner, June, Day & Co. LLP

Rancho Cucamonga, California
November 12, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Riverside Community College District
Riverside, California

Compliance

We have audited the compliance of Riverside 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Riverside Community College District's major Federal programs are identified in the summary of auditors' 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 Riverside Community College District's management. Our responsibility is to express an opinion on Riverside Community College 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 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 Riverside Community College 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 Riverside Community College District's compliance with those requirements.

In our opinion, Riverside Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. 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 2010-1.

Internal Control Over Compliance

The management of Riverside Community College 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 Riverside Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Riverside Community College District's internal control over compliance.

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

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 deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Riverside Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Riverside Community College District's response and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Vaurinek, Irine Day & Co. LLP

Rancho Cucamonga, California
November 12, 2010



REPORT ON STATE COMPLIANCE

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the compliance of Riverside Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Riverside Community College 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 Riverside Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Laurench, Irine Drey Co. LLP

Rancho Cucamonga, California
November 12, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
 FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.032, 84.033, 84.063, and 84.375</u>	<u>Student Financial Assistance Cluster</u>
<u>84.042A, 84.047A</u>	<u>TRIO Cluster</u>
<u>84.126A, 84.390A (ARRA)</u>	<u>Vocational Rehabilitation Cluster (includes ARRA)</u>
<u>84.243</u>	<u>Technical Preparation</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization Fund</u>
<u>17.258, 17.258 (ARRA), 17.259 (ARRA), and 17.260 (ARRA)</u>	<u>WIA Cluster (includes ARRA)</u>
<u>93.558, 93.714 (ARRA)</u>	<u>TANF Cluster (includes ARRA)</u>
<u>93.710 (ARRA)</u>	<u>ARRA CAP of Riverside County Culinary</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 394,639</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Program: WIA Cluster
CFDA #: 17.258, 17.259, 17.260
Award Year: 2009-2010
Compliance Requirement: Reporting
Questioned Costs: None

2010-1 Reporting

Programs Affected

WIA Cluster, U.S. Department of Labor, pass through the California Community Colleges Chancellor's Office:

- WIA Funds for Allied Health Programs Contract #08-115-14 (CFDA #17.258)
- ARRA - Allied Health Program Stimulus Phase II Expansion Contract #09-127-01 (CFDA #17.258) and

Pass through the Riverside County, Economic Development Agency (EDA):

- ARRA - Community College Class Size Training Contract #2009/2011-179-201-501 (CFDA #17.258, #17.260) and
- ARRA - Summer Work Experience Program Contract #SWEP 2009-179-107-R-RCCD (CFDA #17.259).

Criteria or Specific Requirement

California Community Colleges Grant Agreement Article I Career Technical Education Program-Specific Legal Terms and Conditions, Section 3, Reporting states, the Grantee shall prepare and submit to the Career Technical Education Unit quarterly "Year-to-Date Expenditure and Progress Reports" using the online reporting system at <https://misweb.cccco.edu/NursingExt/dba/logon.cfm>. These reports are due on or before the following dates:

- October 30
- January 31
- April 30
- July 31

Riverside County, Economic Development Agency (EDA) Contract #2009/2011-179-201-501 (CFDA #17.258, 17.260) Article III. Compensation, Section 3.01 Contractor's Compensation, Subsection (d) Invoicing and Documentation states, the contractor shall invoice the County on or before the tenth calendar day of each month for all contract costs incurred during the previous month. If the tenth day of the month falls on a weekend, then the invoice is due the Friday before the tenth.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Riverside County, Economic Development Agency (EDA) Contract #SWEP 2009-179-107-R-RCCD, Article III. Compensation, Section 3.01 Contractor's Compensation, Subsection (e) Invoicing and Documentation states the contractor shall invoice the County on or before the tenth calendar day of each month for all contract costs incurred during the previous month. If the tenth day of the month falls on a weekend, then the invoice is due the Friday before the tenth. Article IV. Reporting and File Records, Section 4.01 Reporting Requirements, subsection (b) Final Invoice, states within 45 calendar days following the termination of this agreement that contractor shall report and submit to the County all final claims for funds under the agreement.

Condition

In our sample of quarterly year-to-date expenditure and progress reports submitted to the California Community College Chancellor's Office, we noted that two (2) quarterly reports were not submitted within the specified time frame as noted in the Program-Specific Legal Terms and Conditions.

- One (1) from the WIA Funds for Allied Health Program Contract #08-115-14 and
- One (1) from the ARRA - Allied Health Program Stimulus Phase II Expansion Contract #09-127-01.

In our sample of monthly invoice reports submitted to Riverside County, we noted eight (8) invoices were not submitted within the specified time frame as noted in the contract agreements.

- Four (4) invoices noted in the ARRA - Community College Class Size Training Program Contract #2009/2011-179-201-501 and
- Three (3) monthly invoices and one (1) final invoice noted in the ARRA - Summer Work Experience Program Contract #SWEP 2009-179-107-R-RCCD.

Isolated Instance or a Systemic

Systemic - We noted two (2) of the quarterly year-to-date expenditure and progress reports were submitted approximately 45 days late. The eight (8) monthly invoices submitted late ranged between 4 and 101 days late.

Effect

Submitting quarterly year-to-date-expenditure and progress reports late to the State cause the District to be out of compliance with Program-Specific Legal Terms and Conditions and could result in not being fully reimbursed for all program related costs. For monthly invoices submitted late to Riverside County, the County reserves the right for them to unilaterally prepare and finalize financial reports, using the latest paid invoices and MIS documents on file at the County which could result in not being fully reimbursed for all program related costs.

Recommendation

We recommend that the District enhance internal controls to ensure quarterly year-to-date-expenditure and progress reports and monthly invoices are submitted to each funding agency within the contract agreement terms.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

District Response and Planned Corrective Actions

Riverside City College Response:

The ARRA Community College Class Size Training Program, Agreement #2009/2011-179-201-501, was approved by the District's Board of Trustees on November 17, 2009. The agreement was retroactive to July 2009, and invoices for activities were due on the 10th of each month.

The 2009 Summer Work Experience Program, Agreement #SWEP 209-179-107-R-RCCD, was approved by the District's Board of Trustees on June 16, 2009. The agreement commenced on May 1, 2009 and ended on October 31, 2009, and invoices for activities were due on the 10th of each month.

For all grants, we have tightened our internal procedures regarding submission of invoices and have made meeting contract deadlines for invoicing a top priority. Additionally, we will be working closely with granting agencies to make sure the invoicing and reporting deadlines specified in contracts are more reasonable and manageable. These contracts require submission of all invoices including the year-end invoice by the 10th of the month. In reality, we have only 6-8 working days to access the information in our accounting system, transfer the data to the prescribed County invoice, have the invoice reviewed and approved, assemble the backup documentation that must accompany the invoice, and obtain the necessary signatures in order to comply with the contract terms. A broader window in which to complete and submit invoices, along with tightened internal procedures, will permit us to comply with reporting requirements.

Moreno Valley College Response:

Moreno Valley College recruited an administrator in September 2009 to coordinate the various activities and to handle the financial and activity reports in a timely manner, but, unfortunately, the administrator resigned in February 2010 to take another post. A second grants administrator was hired in April 2010 and, after three months, he too moved on to a different assignment. The rapid turnover rate of the grant administrators has resulted in the delays of the timely submission of the progress reports. Moreno Valley College is currently in the process of recruiting staff to deal with the preparation of grants progress reports; in addition, the project director is allocating five percent of his time to ensure that all reports are submitted in a timely manner even when confronted with unforeseen staff resignations.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

FINANCIAL STATEMENT FINDINGS

2009-1 Finding - Audit Adjustments of Estimated Claims Liability

Criteria or Specific Requirement

Governmental Accounting Standards Board (GASB) Statement No. 10 requires the District to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE).

Condition

The assumptions used by the District to calculate the claims liability are determined based on estimates by District personnel. Loss development techniques are used to establish the claims liability. Understanding and assessing the variability of these estimates, and the reliability of historical experience as an indicator of future loss payments, requires a careful analysis of the historical loss data and the use of projection methods that are sensitive to the particular circumstances. While these indicators are in place, mathematical errors in the calculation resulted in an understatement of the overall claims liability.

Isolated Instance or Systemic

Isolated Instance - Mathematical errors were noted on loss development calculations that were used for the variability of claims liability estimates which resulted in an understatement of claims liability.

Questioned Costs

Audit adjustment totaling \$1,578,805 for estimated claims liability.

Effect

The financial statements could be materially misstated if an understanding and assessing the variability of claims liability estimates is not obtained which industry standards would indicate are best provided by an actuary.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Recommendation

The District should strengthen internal controls in the calculation of claims liability to include a review of formulas to ensure amounts recorded on the general ledger are accurate. The District claims liability calculation noted mathematical errors that resulted in an audit adjustment to the overall liability. The District should consider the use of a specialist which industry standards would indicate are best provided by an actuary. An updated actuarial study of the claims costs should be performed at least every three years.

Current Status

Implemented.

STATE AWARD FINDINGS

2009-2 Finding - Concurrent Enrollment

Criteria or Specific Requirement

- *Education Code* Sections 48800(a), 48800.5, 76300, 76001(d)
- Legal Opinions M 98-17 and M02-20 issued by the Chancellor's Office, California Community Colleges
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" - issued January 5, 2005 by the Chancellor's Office, California Community Colleges

Condition

Enrollment fees are not being assessed to K-12 students for all units once 11 units has been exceeded and the student becomes a special full-time student. The District's Datatel System exempts all special part-time and full-time K-12 students from any enrollment fees.

Isolated Instance or Systemic

Systemic - *Education Code* Section 73600 provides that a district may not exempt special full-time students as a group from paying the \$20 per unit enrollment fee. However, it was noted that the District exempts all K-12 students from any enrollment fees.

Questioned Costs

\$10,050 - approximately

Effect

Without procedures that require special full-time K-12 students to be assessed enrollment fees, this could materially impact the District's State apportionment revenues. If enrollment fees are materially understated, then State apportionment revenues could be materially overstated since enrollment fee revenue is used to determine State apportionment revenues the District will receive.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Recommendation

Districts admitting special K-12 students should have procedures in place to ensure enrollment fees are assessed for all units once 11 units is exceeded and the student becomes a special full-time student.

Current Status

Implemented.

2009-3 Finding - Ineligible CalWORKs recipients were provided services

Program

CalWORKs - Use of State and Federal TANF Funding

Award Year

2008-2009

Criteria or Specific Requirement

- *Education Code* Sections 79200-79203 and 84759
- 2007-08 *Final Budget Summary*, Page 630, Item 6870-101-0001, Provision 15; and Page 646, Item 6870-111-0001, Provision 2
http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/fbudsum_07.pdf
- Chancellor's Office CalWORKs Program Handbook Guidelines_2007-08
- *Clarification on CalWORKs Supplantation Prohibition*, Chancellor's Office Letter, March 13, 2006 (See Appendix M)
OMB A-133 Compliance Supplement

Condition

In our sample of 25 CalWORKs recipients, we noted three CalWORKs recipients who did not have the proper eligibility documented through the County Welfare Department for each academic term the recipient was served.

Isolated Instance or Systemic

Isolated Instance - Once the initial eligibility determination is made by the County Welfare Department, ongoing communication with the County is essential to ensure that a student remains in good standing. Eligibility determinations must be conducted at the beginning of each term to ensure students are eligible for services prior to receiving them.

Questioned Costs

None noted.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Without the proper controls in place, unauthorized program costs and services provided to ineligible recipients could be reimbursed by the State program.

Recommendation

We recommend that the District develop an independent internal tracking of student eligibility. Services provided through other college departments, like the Child Care Center, must be coordinated with the CalWORKs program office to also verify a student's ongoing eligibility for services, academic progress, and to monitor programs expenses that are directly attributable to support for the identified CalWORKs eligible students.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
 BALANCE SHEETS
 JUNE 30, 2010**

	<u>General Unrestricted</u>	<u>General Restricted</u>
ASSETS		
Cash and cash equivalents	\$ 369,672	\$ 44,392
Investments	1,597,836	9,236,496
Accounts receivable	24,224,282	5,509,259
Due from other funds	164,649	492,684
Prepaid expenses	125,365	37,955
Inventories	-	-
Total Assets	<u><u>\$26,481,804</u></u>	<u><u>\$15,320,786</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 2,482,333	\$ 1,252,743
Due to other funds	1,131,220	4,014
Other current liabilities	11,020,000	-
Deferred revenue	1,404,567	2,371,562
Total Liabilities	<u><u>16,038,120</u></u>	<u><u>3,628,319</u></u>
 FUND BALANCES		
Reserved	125,365	11,692,467
Unreserved		
Designated	-	-
Undesignated	10,318,319	-
Total Fund Balances	<u><u>10,443,684</u></u>	<u><u>11,692,467</u></u>
Total Liabilities and Fund Balances	<u><u>\$26,481,804</u></u>	<u><u>\$15,320,786</u></u>

See accompanying note to additional supplementary information.

<u>Special Revenue</u>			<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Fund (Memorandum Only)</u>
<u>Food Service</u>	<u>Child Development</u>	<u>R.C.C.D. Development Corporation</u>	<u>Capital Outlay Projects</u>	<u>Bond Interest and Redemption</u>	
\$ 17,939	\$ 13,861	\$ 16,240	\$ -	\$ -	\$ 462,104
167,548	61,634	-	50,699,042	14,034,507	75,797,063
8,556	41,486	-	12,378,468	-	42,162,051
8,485	1,459	-	456,661	-	1,123,938
-	-	-	44,750	-	208,070
22,182	-	-	-	-	22,182
<u>\$ 224,710</u>	<u>\$ 118,440</u>	<u>\$ 16,240</u>	<u>\$ 63,578,921</u>	<u>\$ 14,034,507</u>	<u>\$ 119,775,408</u>
\$ 47,506	\$ 77,410	\$ -	\$ 7,506,685	\$ -	\$ 11,366,677
98	813	-	-	-	1,136,145
-	-	-	-	-	11,020,000
-	-	-	-	-	3,776,129
<u>47,604</u>	<u>78,223</u>	<u>-</u>	<u>7,506,685</u>	<u>-</u>	<u>27,298,951</u>
22,182	-	-	44,750	-	11,884,764
-	-	-	-	14,034,507	14,034,507
<u>154,924</u>	<u>40,217</u>	<u>16,240</u>	<u>56,027,486</u>	<u>-</u>	<u>66,557,186</u>
<u>177,106</u>	<u>40,217</u>	<u>16,240</u>	<u>56,072,236</u>	<u>14,034,507</u>	<u>92,476,457</u>
<u>\$ 224,710</u>	<u>\$ 118,440</u>	<u>\$ 16,240</u>	<u>\$ 63,578,921</u>	<u>\$ 14,034,507</u>	<u>\$ 119,775,408</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Unrestricted</u>	<u>General Restricted</u>
REVENUES		
Federal revenues	\$ 672,104	\$ 12,508,386
State revenues	97,791,694	8,160,780
Local revenues	42,530,633	6,434,091
Total Revenues	<u>140,994,431</u>	<u>27,103,257</u>
EXPENDITURES		
Current Expenditures		
Academic salaries	65,651,059	4,399,789
Classified salaries	31,752,728	9,953,188
Employee benefits	26,842,300	3,905,253
Books and supplies	1,888,202	1,778,974
Services and operating expenditures	12,854,051	4,899,483
Capital outlay	957,553	2,296,049
Debt service - principal	14,674	-
Debt service - interest and other	-	-
Total Expenditures	<u>139,960,567</u>	<u>27,232,736</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,033,864</u>	<u>(129,479)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	(2,613,110)	2,613,110
Operating transfers out	(1,152,570)	-
Other sources	2,519	-
Other uses	-	(334,995)
Total Other Financing Sources (Uses)	<u>(3,763,161)</u>	<u>2,278,115</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(2,729,297)</u>	<u>2,148,636</u>
FUND BALANCE, BEGINNING OF YEAR	<u>13,172,981</u>	<u>9,543,831</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,443,684</u>	<u>\$ 11,692,467</u>

See accompanying note to additional supplementary information.

Special Revenue			Capital Project	Debt Service	Total Governmental Fund (Memorandum Only)
Food Service	Child Development	R.C.C.D. Development Corporation	Capital Outlay Projects	Bond Interest and Redemption	
\$ -	\$ 112,906	\$ -	\$ -	\$ -	\$ 13,293,396
-	71,805	-	9,851,149	105,248	115,980,676
1,605,079	1,173,121	2	5,780,157	9,935,793	67,458,876
<u>1,605,079</u>	<u>1,357,832</u>	<u>2</u>	<u>15,631,306</u>	<u>10,041,041</u>	<u>196,732,948</u>
-	1,040,869	-	-	-	71,091,717
765,199	370,981	-	212,038	-	43,054,134
319,146	256,476	-	87,313	-	31,410,488
815,271	58,520	-	-	-	4,540,967
199,942	78,019	-	361,882	-	18,393,377
3,133	649	-	40,128,624	-	43,386,008
-	-	-	-	6,655,000	6,669,674
-	-	-	-	6,335,338	6,335,338
<u>2,102,691</u>	<u>1,805,514</u>	<u>-</u>	<u>40,789,857</u>	<u>12,990,338</u>	<u>224,881,703</u>
(497,612)	(447,682)	2	(25,158,551)	(2,949,297)	(28,148,755)
529,809	372,761	-	-	-	902,570
-	-	-	-	-	(1,152,570)
-	-	-	-	-	2,519
-	-	-	-	-	(334,995)
<u>529,809</u>	<u>372,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(582,476)</u>
32,197	(74,921)	2	(25,158,551)	(2,949,297)	(28,731,231)
144,909	115,138	16,238	81,230,787	16,983,804	121,207,688
<u>\$ 177,106</u>	<u>\$ 40,217</u>	<u>\$ 16,240</u>	<u>\$ 56,072,236</u>	<u>\$ 14,034,507</u>	<u>\$ 92,476,457</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 20,236
Investments	8,863,638
Accounts receivable	214,074
Due from other funds	1,087
Total Assets	\$ 9,099,035
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 56,213
Deferred revenue	1,172,937
Claim liabilities	5,319,851
Total Liabilities	6,549,001
FUND EQUITY	
Retained earnings	2,550,034
Total Liabilities and Fund Equity	\$ 9,099,035

See accompanying note to additional supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Internal Service Fund</u>
OPERATING REVENUES	
District premiums	\$ <u>6,356,082</u>
OPERATING EXPENSES	
Classified salaries	242,599
Employee benefits	88,457
Books and supplies	1,852
Services and other operating expenditures	6,321,307
Capital outlay	<u>3,978</u>
Total Operating Expenses	<u>6,658,193</u>
Operating Loss	<u>(302,111)</u>
NONOPERATING REVENUES	
Interest income	105,073
Miscellaneous revenues	53,357
Operating transfers in	<u>250,000</u>
Total Nonoperating Revenues	<u>408,430</u>
NET INCOME	106,319
RETAINED EARNINGS, BEGINNING OF YEAR	<u>2,443,715</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ <u>2,550,034</u></u>

See accompanying note to additional supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (302,111)
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Operating Activities	
Decrease in accounts receivable	68,353
Increase in due from other funds	(117)
Increase in accounts payable	15,644
Decrease in claims liabilities	(45,122)
Increase in deferred revenue	16,225
Net Cash Flows from Operating Activities	<u>(247,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	105,073
Other nonoperating income	53,357
Transfers in	250,000
Net Cash Flows from Investing Activities	<u>408,430</u>
Net increase in cash and cash equivalents	161,302
Cash and cash equivalents - Beginning	<u>8,722,572</u>
Cash and cash equivalents - Ending	<u><u>\$ 8,883,874</u></u>
 CASH AND CASH EQUIVALENTS CONSISTS OF:	
Cash in banks	\$ 20,236
Cash in county pooled investment	8,863,638
	<u><u>\$ 8,883,874</u></u>

See accompanying note to additional supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
 BALANCE SHEETS
 JUNE 30, 2010**

	Associated Students Trust	Student Financial Aid	Total
ASSETS			
Cash and cash equivalents	\$ 2,039,336	\$ 27,448	\$ 2,066,784
Accounts receivable	4,820	2,718,803	2,723,623
Due from other funds	53,738	59,250	112,988
Total Assets	\$ 2,097,894	\$ 2,805,501	\$ 4,903,395
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 25,172	\$ 2,734,538	\$ 2,759,710
Due to other funds	30,905	70,963	101,868
Due to student groups	1,111,782	-	1,111,782
Total Liabilities	1,167,859	2,805,501	3,973,360
FUND BALANCES			
Unreserved			
Undesignated	930,035	-	930,035
Total Fund Balances	930,035	-	930,035
Total Liabilities and Fund Balances	\$ 2,097,894	\$ 2,805,501	\$ 4,903,395

See accompanying note to additional supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2010**

	Associated Students Trust	Student Financial Aid	Total
REVENUES			
Federal revenues	\$ -	\$ 34,698,063	\$ 34,698,063
State revenues	-	1,726,635	1,726,635
Local revenues	709,781	-	709,781
Total Revenues	<u>709,781</u>	<u>36,424,698</u>	<u>37,134,479</u>
EXPENDITURES			
Current Expenditures			
Books and supplies	318,839	-	318,839
Services and operating expenditures	308,439	-	308,439
Capital outlay	55,172	-	55,172
Total Expenditures	<u>682,450</u>	<u>-</u>	<u>682,450</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>27,331</u>	<u>36,424,698</u>	<u>36,452,029</u>
OTHER FINANCING SOURCES (USES)			
Other uses	4,570	(36,424,698)	(36,420,128)
Total Other Financing Sources (Uses)	<u>4,570</u>	<u>(36,424,698)</u>	<u>(36,420,128)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	31,901	-	31,901
FUND BALANCE, BEGINNING OF YEAR	898,134	-	898,134
FUND BALANCE, END OF YEAR	<u>\$ 930,035</u>	<u>\$ -</u>	<u>\$ 930,035</u>

See accompanying note to additional supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

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



To the Board of Trustees
Riverside Community College District
Riverside, California

We have audited the basic financial statements of the Riverside Community College District (the District) for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 8, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major Federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

To the Board of Trustees
Riverside Community College District
Page 2

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the cost of capital assets net of accumulated depreciation. Depreciation is the recognition of the use of the capital assets over time. Conditions may exist that result in assets having a longer or shorter useful life than is reflected within these statements. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Additionally, the estimate of the future costs of postemployment benefits provided to retirees is based upon current information about the District's employees, benefit plans, and health care rates. These factors are considered by the actuary in determining both the estimated liability and the current year required contribution to the Plan. Note 10 to the financial statements provides additional information about the actuarial methods and assumptions, and the Required Supplementary Information provides the schedule of progress toward funding this liability.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Subsequent to the closing of the books, management identified certain post-closing adjustments which have been included in the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Trustees
Riverside Community College District
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Riverside Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Jamirek, June, Day & Co. LLP

Rancho Cucamonga, California
November 12, 2010



To the Board of Trustees and
Dr. Gregory Gray, Chancellor
Riverside Community College District
Riverside, California

In planning and performing our audit of the financial statements of Riverside Community College District (the District) for the year ended June 30, 2010, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 a 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. We consider the following deficiencies to be control deficiencies in internal control. However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. We consider the following deficiencies to be control deficiencies in internal controls. Management has provided responses to the comments below. We have not audited the responses and, therefore, express no opinion.

CURRENT YEAR MANAGEMENT COMMENTS

Riverside Community College District Foundation's Debt Obligation

As noted in our prior year comments, the Riverside Community College District Foundation (the Foundation) entered into an agreement with the District to undertake a Major Gift Campaign to support targeted initiatives of the District and campuses. Under this agreement, the District would advance funds of up to \$1.3 million to the Foundation to cover costs associated with the Campaign. Funds drawn under this agreement to cover campaign costs, coupled with negative returns on investments, has resulted in the unrestricted fund of the Foundation incurring operating deficits in each of the past four years that have created a net deficit ending balance. Management has taken action to raise additional unrestricted income and to reduce operating expenses, but a deficit remains. Repayment of advances totaling \$794,735 is set to begin in 2011-2012. The District and the Foundation have reached an agreement to defer the repayment starting period to 2012; however, the Foundation currently has no unrestricted funds to pay the obligation to the District. All cash and cash equivalents are restricted to temporarily and permanently restricted funds.

Recommendation

The District management should work closely with the Board and the Foundation to address the repayment of the borrowed funds. Additionally, a plan should be developed to provide for unrestricted contributions that will enable the Foundation to repay the District and restore the unrestricted fund to a positive position.

To the Board of Trustees and
Dr. Gregory Gray, Chancellor
Riverside Community College District
Page 2

Management Response

The District and the Foundation are developing a series of options for bringing the debt obligation incurred under the Major Gift Campaign (Campaign RCC) to a zero balance. Part of this strategy is the implementation of a five percent administrative fee on all new gifts, which took effect in fiscal year 2010. In addition, as noted by the auditors, the Board of Trustees approved an extension of the repayment schedule at its regular meeting on June 15.

The Foundation continues to actively seek unrestricted dollars through its regular fundraising efforts and the annual appeal. With the support of the District's new Chancellor, the Foundation also is conducting a feasibility study to determine the goals and framework for a new Campaign to be launched in early 2011 that will include a major emphasis on unrestricted gifts and is expected to be fully self-funded through either the existing or an enhanced administrative fee structure.

Load Banking Policies

The District's contract with the faculty bargaining unit allows instructors to teach over their regularly assigned load and 'bank' the excess workload to be used in a future period as time off. This benefit has been part of the contract between said bargaining unit and the District for a number of years. While reviewing contract language for taking banked time and the instances when the time can be paid out in cash, we noted language that merits further review by the District. When an employee can control the actual payment of the banked time as a cash payout, the Internal Revenue Code (Reg. 1.451-2(a)) has ruled the decision point creates a 'constructive receipt' of the compensation and payroll taxes must be withheld.

Recommendation

We recommend the District review current contract language and actual practice and ensure compliance with Internal Revenue Code Regulations. Until the issue is resolved, we suggest the banked load time be limited to usage of time off.

Management Response

The District will review contract language and practice with respect to load banking to ensure compliance with Internal Revenue Service Regulations.

PRIOR YEAR MANAGEMENT COMMENTS

Proper Job Title Descriptions and Budget Codes

During our testing of employee coding within the object code classifications of the general ledger, one classified instructional aide selected during testing was charged to an instructional object code (2230). However, the job description in the employee file did not provide for instructional duties. This information is necessary to support whether the classification is in accordance with the *Budget and Accounting Manual* and the *Education Code*.

To the Board of Trustees and
Dr. Gregory Gray, Chancellor
Riverside Community College District
Page 3

Recommendation

The District should review and, if necessary, revise job titles to match the actual duties assigned and documented within the personnel files. Instructional duties should be provided for instructional aides charged to object code 2230. Employees that are given multiple budgets of instructional and non-instructional duties should utilize timecards to document actual time spent within each portion of the assignment.

Current Status

The recommendation has been implemented by the District.

Riverside Community College District Foundation's Debt Obligation

We identified that Riverside Community College District Foundation entered into an agreement with Riverside Community College District to undertake a Major Gift Campaign to support targeted initiatives of the District. The agreement called for the District would advance funds of up to \$1.3 million to the Foundation to cover costs associated with the Campaign. Campaign costs, coupled with negative returns on investments, have resulted in an operational deficit in the unrestricted fund of the Foundation. The Foundation has taken action to raise additional unrestricted income and to reduce operating expenses, but a deficit remains. Repayment of advances was set to begin July 1, 2009; however, the Foundation currently has no unrestricted funds to pay the obligation to the District. All cash and cash equivalents are restricted to temporarily and permanently restricted funds.

Recommendation

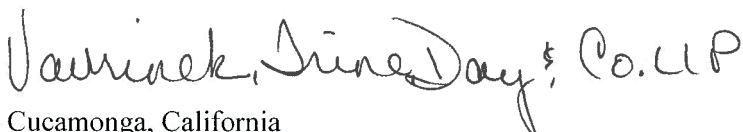
The District management should work closely with the Board and the Foundation to address the repayment of the borrowed funds. Additionally, a plan should be developed to provide for unrestricted contributions that will enable the Foundation to repay the District and restore the unrestricted fund to a positive position.

Current Status

The recommendation is currently in progress; see current year management letter comment.

We appreciate the time and assistance the staff of the District has provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2010-2011 fiscal year.

This report is intended solely for the information and use of the Board, management, and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.



Rancho Cucamonga, California
November 12, 2010