Agenda Item (VIII-E-3)

Meeting	12/13/2011 - Regular
Agenda Item	Committee - Resources (VIII-E-3)
Subject	2010-2011 Independent Audit Report for the Riverside Community College District
College/District	District
Funding	n/a
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, 2011 for the permanent file of the District.

Background Narrative:

See the attached background information relative to the 2010-2011 Independent Audit Report for the Riverside Community College District.

Prepared By: Jim Buysse, Vice Chancellor, Administration & Finance
Aaron Brown, Associate Vice Chancellor, Finance
Bill Bogle, Controller

Attachments:

2010-2011 Independent Audit Report for RCCD Background Information - December 13, 2011

2010-2011 Independent Audit Report
For the Riverside Community College District
December 13, 2011

In accordance with Education Code Section 84040(b), an independent audit of the District's 2010-2011 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, 2011 and 2010, 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

Current year audit finding are shown on pages 82 through 94 of the accompanying audit report.

Prior Year Audit Findings

The recommendations for the prior year audit findings have been implemented as discussed on pages 95 through 97.

Adjustments to the Financial Statements

One audit adjustment to the District's financial statement has been recommended as follows:

- A reduction in accounts payable regarding apportionment funding ($125,235).

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 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

Management recommendations for fiscal year 2010-2011 are shown in the attached letter.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2011 AND 2010

RIVERSIDE COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2011 AND 2010

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2011 and 2010, 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, 2011 and 2010, 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 28, 2011, 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.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 60 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011

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, 2011. 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, 2011. 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 2010-2011 fiscal year, total reported resident FTES were 29,149 as compared to 31,185 in the 2009-2010 fiscal year. Total unfunded credit FTES was 2,258 for fiscal year 2010-2011 and 4,940 for fiscal year 2009-2010.

- Several construction and modernization projects at the District's three colleges resulted in completed buildings, building improvements, and improvements to sites totaling $29,086,441 in the 2010-2011 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.

Remodel and Relocation Economic Development – District
Food Service Remodel – Moreno Valley
Student Support Center – Norco
Aquatic Complex – Riverside
Library Learning Center – Moreno Valley
Nursing Portables – Moreno Valley
Central Plant Boiler Replacement – Norco
Various Roofing Projects – Riverside

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

- Employee salaries decreased by 1.47 percent or $1.7 million from the 2009-2010 fiscal year and employee benefits increased by 16.34 percent or $4.5 million. The decrease in salaries is primarily due to a District-wide hiring freeze for full-time employees and a supplementary retirement plan (SRP) offer enacted in fiscal year 2010-2011. In addition, the use of part-time faculty decreased because of an apportionment reduction which resulted in fewer class section offerings during the academic year. The increase in benefit costs is primarily due to the aforementioned supplementary retirement plan (SRP) offer and an increase in health and welfare benefits.

- During the 2010-2011 fiscal year, the District provided over $63.0 million in financial aid to students attending classes at the three colleges. 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)	$ 44,330,578
Federal Supplement Education Opportunity Grant (FSEOG)	559,463
Federal Direct Student Loans (Direct Loans)	4,357,631
Federal Work Study Program (FWS)	600,021
Federal Academic Competitiveness Grant (ACG)	39,673
State of California Cal Grant B (CALG-B)	1,845,332
State of California Cal Grant C (CALG-C)	98,943
California Community College Board of Governor's Fee Wavier	11,174,056
Total Financial Aid Provided to Students	$ 63,005,697

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	2011	2010	Change	2009	Change
ASSETS					
Current Assets					
Cash and investments	$ 161,776	$ 85,170	$ 76,606	$ 114,452	$ 47,324
Accounts receivable (net)	52,590	45,126	7,464	36,394	16,196
Other current assets	236	298	(62)	222	14
Total Current Assets	214,602	130,594	84,008	151,068	63,534
Other noncurrent assets	1,623	814	809	881	742
Capital assets (net)	301,606	247,976	53,630	215,168	86,438
Total Assets	517,831	379,384	138,447	367,117	150,714
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	42,785	36,753	6,032	29,234	13,551
Current portion of long-term obligations	7,498	9,523	(2,025)	7,836	(338)
Total Current Liabilities	50,283	46,276	4,007	37,070	13,213
Long-Term Obligations	250,562	137,554	113,008	143,500	107,062
Total Liabilities	300,845	183,830	117,015	180,570	120,275
NET ASSETS					
Invested in capital assets	188,298	154,937	33,361	149,616	38,682
Restricted	20,751	35,121	(14,370)	26,209	(5,458)
Unrestricted	7,937	5,496	2,441	10,722	(2,785)
Total Net Assets	$ 216,986	$ 195,554	$ 21,432	$ 186,547	$ 30,439

The District's components of assets, liabilities, and net assets are noted on page13.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

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 14.

Table 2

(Amounts in thousands)

	2011	2010	Change	2009	Change
Operating Revenues					
Tuition and fees (net)	$ 14,248	$ 15,133	$ (885)	$ 13,776	$ 472
Other operating revenues	2	54	(52)	22	(20)
Total Operating Revenues	14,250	15,187	(937)	13,798	452
Operating Expenses					
Salaries and benefits	146,574	143,753	2,821	144,101	2,473
Supplies and maintenance	31,623	31,635	(12)	43,770	(12,147)
Student financial aid	51,888	36,424	15,464	24,837	27,051
Depreciation	11,095	8,481	2,614	8,242	2,853
Total Operating Expenses	241,180	220,293	20,887	220,950	20,230
Loss on Operations	(226,930)	(205,106)	(21,824)	(207,152)	(19,778)
Nonoperating Revenues					
State apportionments	100,149	93,478	6,671	92,108	8,041
Property taxes	36,033	37,963	(1,930)	43,095	(7,062)
State revenues	5,078	4,901	177	4,072	1,006
Federal and State grants and contracts	74,535	57,468	17,067	52,038	22,497
Net investment income	1,622	2,133	(511)	3,899	(2,277)
Net interest expense	(12,287)	(7,313)	(4,974)	(7,499)	(4,788)
Other nonoperating revenues	12,877	15,632	(2,755)	12,282	595
Loss on disposal of assets	(22)	-	(22)	-	(22)
Total Nonoperating Revenue	217,985	204,262	13,723	199,995	17,990
Other Revenues					
State and local capital income	30,377	9,851	20,526	13,148	17,229
Net Increase in Net Assets	$ 21,432	$ 9,007	$ 12,425	$ 5,991	$ 15,441

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment. Property taxes levied and received from property within the District's boundaries decreased during the year. State apportionments increased due to allocated growth funding.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

During 2010-2011, the District's interest income was $1.6 million and interest expense was $12.3 million. Interest income is primarily derived from cash held in the Riverside County Treasury. Interest income has decreased approximately $0.5 million from the 2009-2010 fiscal year due to significantly lower interest rates and the State's apportionment deferral strategy passed along to community colleges. An increase in the General Obligation Bond principal resulting from the Series 2011 D-1 issuance in November 2010 has resulted in increased interest expense for the year.

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, 2011:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 68,846	$ 5,445	$ -	$ -	$ 74,291
Academic support	40,622	13,651	-	-	54,273
Student services	16,593	1,947	-	-	18,540
Plant operations and maintenance	7,067	4,194	-	-	11,261
Instructional support services	5,193	580	-	-	5,773
Community services and economic development	1,435	526	-	-	1,961
Ancillary services and auxiliary operations	6,438	3,254	-	-	9,692
Student aid	-	-	51,887	-	51,887
Physical property and related acquisitions	380	2,027	-	-	2,407
Unallocated depreciation	-	-	-	11,095	11,095
Total	$ 146,574	$ 31,624	$ 51,887	$ 11,095	$ 241,180

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

Year ended June 30, 2010:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 67,137	$ 3,579	$ -	$ -	$ 70,716
Academic support	39,257	16,360	-	-	55,617
Student services	16,070	1,586	-	-	17,656
Plant operations and maintenance	7,007	4,040	-	-	11,047
Instructional support services	4,962	391	-	-	5,353
Community services and economic development	1,686	586	-	-	2,272
Ancillary services and auxiliary operations	7,339	2,987	-	-	10,326
Student aid	-	-	36,425	-	36,425
Physical property and related acquisitions	295	2,105	-	-	2,400
Unallocated depreciation	-	-	-	8,481	8,481
Total	$ 143,753	$ 31,634	$ 36,425	$ 8,481	$ 220,293

Changes in Cash Position

Table 4

(Amounts in thousands)

	2011	2010	Change	2009	Change
Cash Provided by (Used in)					
Operating activities	$ (210,238)	$ (182,881)	$ (27,357)	$ (195,963)	$ (14,275)
Noncapital financing activities	212,464	186,206	26,258	178,313	34,151
Capital financing activities	72,875	(34,796)	107,671	(20,268)	93,143
Investing activities	1,505	2,190	(685)	4,325	(2,820)
Net Increase (Decrease) in Cash	76,606	(29,281)	105,887	(33,593)	110,199
Cash, Beginning of Year	85,170	114,451	(29,281)	148,044	(62,874)
Cash, End of Year	$ 161,776	$ 85,170	$ 76,606	$ 114,451	$ 47,325

The Statement of Cash Flows on pages 15 and 16 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.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had $377.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2011, the District's net capital assets were $301.6 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	$ 78,364	$ 58,949	$ (25,798)	$ 111,515
Buildings and land improvements	205,904	29,086	-	234,990
Equipment and vehicles	28,772	2,509	(234)	31,047
Subtotal	313,040	90,544	(26,032)	377,552
Accumulated depreciation	(65,064)	(11,094)	212	(75,946)
	$ 247,976	$ 79,450	$ (25,820)	$ 301,606

Obligations

At the end of the 2010-2011 fiscal year, the District had $244.4 million in General Obligation Bonds outstanding. These bonds are repaid in annual installments, in accordance with the obligation requirements, by way of property tax assessments on property within the Riverside Community College District’s boundaries.

The District issued approximately $110.1 million of General Obligation Bonds, Series 2011 D/D-1 in November 2010. The proceeds will be used for capital facility projects.

The District is also obligated to employees of the District for vacation, load banking benefits, and retirement payments.

Lease purchase agreements for equipment have been entered into to finance certain capital assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 139,052	$ 112,686	$ (7,298)	$ 244,440
Other liabilities	8,024	5,194	(1,755)	11,463
Total Long-Term Obligations	$ 147,076	$ 117,880	$ (9,053)	$ 255,903
Amount due within one year				$ 5,341

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 2010-2011 fiscal year on June 21, 2011.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenue by $2.4 million. The actual results for the year showed revenues exceeded expenditures by $2.0 million.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE RIVERSIDE COMMUNITY COLLEGE DISTRICT

The financial position of the District is closely tied to the economic position of the State of California since the District's largest source of general unrestricted revenue is State apportionment at 68.44 percent. The District reported a slight decrease in total reported FTES during fiscal year 2010-2011. Due to significant declines in State apportionment funding in fiscal years 2010-2011 and 2011-2012, the District offered fewer sections to reduce costs and the number of unfunded FTES. The District's fiscal year 2011-2012 adopted budget incorporated budget strategies to mitigate projected budget shortfall totaling $18.4 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.

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, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 499,351	$ 509,788
Investments - unrestricted	9,314,247	17,338,820
Investments - restricted	151,962,589	67,321,881
Accounts receivable	52,224,808	44,720,953
Student accounts receivable, net	365,368	373,975
Due from fiduciary funds	29,519	30,905
Prepaid expenses	73,350	208,070
Deferred cost on issuance	101,551	67,802
Inventories	31,336	22,182
Total Current Assets	214,602,119	130,594,376
Noncurrent Assets		
Deferred cost on issuance - noncurrent portion	1,623,318	813,623
Nondepreciable capital assets	111,514,319	78,363,016
Depreciable capital assets, net of depreciation	190,091,534	169,612,747
Total Noncurrent Assets	303,229,171	248,789,386
TOTAL ASSETS	517,831,290	379,383,762
LIABILITIES		
Current Liabilities		
Accounts payable	19,986,265	12,827,717
Short-term borrowing	11,710,000	11,020,000
Accrued interest payable	5,922,703	2,583,115
Due to fiduciary funds	48,154	53,738
Deferred revenue	5,118,264	4,949,066
Claims liability	2,156,829	5,319,851
Compensated absences payable - current portion	1,206,283	1,329,711
Bonds payable - current portion	2,330,000	6,925,000
Net debt premium - current portion	397,073	338,897
Lease obligations - current portion	44,576	14,674
Other long-term obligations - current portion	1,363,515	914,179
Total Current Liabilities	50,283,662	46,275,948
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,408,075	1,144,304
Bonds payable - noncurrent portion	234,088,275	125,457,992
Net debt premium - noncurrent portion	7,624,866	6,329,988
Lease obligations - noncurrent portion	140,412	12,228
Other long-term obligations - noncurrent portion	7,299,880	4,609,350
Total Noncurrent Liabilities	250,561,508	137,553,862
TOTAL LIABILITIES	300,845,170	183,829,810
NET ASSETS		
Invested in capital assets, net of related debt	188,298,439	154,937,491
Restricted for:		
Debt service	5,940,516	11,451,392
Capital projects	2,482,288	11,976,608
Educational programs	12,327,354	11,692,467
Unrestricted	7,937,523	5,495,994
TOTAL NET ASSETS	$ 216,986,120	$ 195,553,952

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, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Student Tuition and Fees	$ 25,422,048	$ 25,287,574
Less: Scholarship discount and allowance	(11,174,056)	(10,154,399)
Net tuition and fees	14,247,992	15,133,175
Other Operating Revenues	1,941	53,357
TOTAL OPERATING REVENUES	14,249,933	15,186,532
OPERATING EXPENSES		
Salaries	114,372,496	116,073,026
Employee benefits	32,201,817	27,680,221
Supplies, materials, and other operating expenses and services	30,321,355	29,532,675
Student financial aid	51,887,584	36,424,698
Equipment, maintenance, and repairs	1,301,734	2,100,884
Depreciation	11,094,650	8,481,150
TOTAL OPERATING EXPENSES	241,179,636	220,292,654
OPERATING LOSS	(226,929,703)	(205,106,122)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	100,148,696	93,478,402
Federal grants	64,571,078	47,991,459
State grants	9,963,513	9,476,664
Local property taxes levied for general purposes	25,217,503	28,277,296
Local property taxes levied for capital debt	10,815,265	9,685,568
State taxes and other revenues	5,078,096	4,901,096
Investment income	1,552,553	1,976,617
Interest expense on capital related debt	(12,287,170)	(7,313,415)
Investment income on capital asset-related debt, net	69,374	156,053
Loss of capital assets	(21,909)	-
Other nonoperating revenue	12,877,617	15,631,813
TOTAL NONOPERATING REVENUES (EXPENSES)	217,984,616	204,261,553
LOSS BEFORE OTHER REVENUES	(8,945,087)	(844,569)
State revenues, capital	30,377,255	9,851,149
TOTAL OTHER REVENUES	30,377,255	9,851,149
CHANGE IN NET ASSETS	21,432,168	9,006,580
NET ASSETS, BEGINNING OF YEAR	195,553,952	186,547,372
NET ASSETS, END OF YEAR	$ 216,986,120	$ 195,553,952

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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 14,130,640	$ 15,963,379
Short-term borrowings	690,000	11,020,000
Payments to vendors for supplies and services	(29,975,138)	(30,810,128)
Payments to or on behalf of employees	(143,197,856)	(142,682,457)
Payments to students for Federal direct student aid	(49,943,309)	(34,698,063)
Payments to students for State direct student aid	(1,944,275)	(1,726,635)
Other operating receipts	1,941	53,357
Net Cash Flows From Operating Activities	(210,237,997)	(182,880,547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	97,308,958	85,758,143
Federal grants and contracts	63,345,722	44,496,987
State grants and contracts	10,221,544	8,440,959
Property taxes - nondebt related	25,385,465	28,855,899
State taxes and other apportionments	(396,424)	7,009,438
Other nonoperating	16,599,056	11,644,992
Net Cash Flows From Noncapital Financing Activities	212,464,321	186,206,418
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(60,803,033)	(40,983,841)
Proceeds from sale of general obligation bonds	111,844,693	-
Proceeds from issuance of capital leases	176,088	-
State revenue, capital projects	30,377,255	9,851,149
Property taxes - related to capital debt	10,815,265	9,685,568
Principal paid on capital debt	(7,315,835)	(7,008,571)
Interest paid on capital debt	(12,287,170)	(7,313,415)
Interest received on capital asset-related debt	69,374	156,053
Accreted interest on general obligation bonds	841,477	748,915
Deferred cost on issuance	(843,444)	67,802
Net Cash Flows From Capital Financing Activities	72,874,670	(34,796,340)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,504,704	2,189,995
Net Cash Flows From Investing Activities	1,504,704	2,189,995
NET CHANGE IN CASH AND CASH EQUIVALENTS	76,605,698	(29,280,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	85,170,489	114,450,963
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 161,776,187	$ 85,170,489

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, 2011 AND 2010

	2011	2010
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (226,929,703)	$ (205,106,122)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	11,094,650	8,481,150
Changes in Operating Assets and Liabilities:		
Student receivables, net	8,607	385,411
Inventories	(9,154)	6,869
Prepaid expenses	134,720	(83,030)
Accounts payable and other accrued liabilities	1,581,508	212,681
Deferred revenue	(88,834)	202,331
Compensated absences	195,858	(437,808)
Supplementary Retirement Plan (SRP)	1,399,113	1,741,606
Other postemployment benefits (OPEB)	1,685,238	696,365
Short-term borrowings	690,000	11,020,000
Total Adjustments	16,691,706	22,225,575
Net Cash Flows From Operating Activities	$ (210,237,997)	$ (182,880,547)

	2011	2010
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 499,351	$ 509,788
Unrestricted cash in county treasury	9,314,247	17,338,820
Restricted cash in county treasury	151,962,589	67,321,881
Total Cash and Cash Equivalents	$ 161,776,187	$ 85,170,489
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 2,721,709	$ 2,741,776
Loss of capital assets	21,909	-
	$ 2,743,618	$ 2,741,776

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2011 AND 2010

	2011 Trust	2010 Trust
ASSETS		
Cash and cash equivalents	$ 2,000,087	$ 2,039,336
Accounts receivable, net	12,557	4,820
Due from primary government funds	48,154	53,738
Total Assets	2,060,798	2,097,894
LIABILITIES		
Accounts payable	65,210	25,172
Due to primary government funds	29,519	30,905
Due to student groups	971,508	1,111,782
Total Liabilities	1,066,237	1,167,859
NET ASSETS		
Unreserved	994,561	930,035
Total Net Assets	$ 994,561	$ 930,035

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, 2011 AND 2010

	2011 Trust	2010 Trust
ADDITIONS		
Local revenues	$ 688,812	$ 709,781
Total Additions	688,812	709,781
DEDUCTIONS		
Books and supplies	334,707	318,839
Services and operating expenditures	270,635	308,439
Capital outlay	-	55,172
Total Deductions	605,342	682,450
OTHER FINANCING SOURCES (USES)		
Other sources (uses)	(18,944)	4,570
Total Other Financing Sources (Uses)	(18,944)	4,570
Change in Net Assets	64,526	31,901
Net Assets - Beginning	930,035	898,134
Net Assets - Ending	$ 994,561	$ 930,035

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, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	$ 636,646	$ 4,821,413
Restricted	1,041,547	1,142,251
Accounts receivable	10,078	14,750
Receivable due from unrestricted funds	-	92,255
Unconditional promises to give	370,615	185,062
Total Current Assets	2,058,886	6,255,731
Noncurrent Assets		
Investments - restricted	3,763,282	3,481,432
Long-term unconditional promises to give, net of allowance	-	623,500
Total Noncurrent Assets	3,763,282	4,104,932
Total Assets	$ 5,822,168	$ 10,360,663
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 758,758	$ 4,943,691
Borrowing from restricted funds	-	92,255
Total Current Liabilities	758,758	5,035,946
Long-Term Obligations		
Long-term obligation to Riverside Community College District	-	794,735
Total Long-Term Obligations	-	794,735
Total Liabilities	758,758	5,830,681
NET ASSETS		
Unrestricted		
Undesignated	(85,255)	(901,131)
Board designated	16,287	14,141
Total Unrestricted	(68,968)	(886,990)
Temporarily restricted	1,360,704	2,243,501
Permanently restricted	3,771,674	3,173,471
Total Net Assets	5,063,410	4,529,982
Total Liabilities and Net Assets	$ 5,822,168	$ 10,360,663

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, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 3,006	$ 656,153	$ 415,704	$ 1,074,863
In-kind donations				
Donated assets	19,935	-	-	19,935
Donated material	21	-	-	21
Donated services	532,137	-	-	532,137
Forgiveness of debt income	889,800	-	-	889,800
Assets released from restrictions	1,833,114	(1,607,255)	(225,859)	-
Total Revenues	3,278,013	(951,102)	189,845	2,516,756
EXPENSES				
Operating expenses	753,406	-	-	753,406
Program expenses	1,767,673	-	-	1,767,673
Fundraising expenses	34,047	-	-	34,047
Total Expenses	2,555,126	-	-	2,555,126
OTHER INCOME (EXPENSE)				
Realized gain on sale of investments	814	1,755	6,475	9,044
Unrealized gain on investments	42,332	91,247	336,774	470,353
Interest and dividends income	13,540	18,254	66,522	98,316
Interest expense	(5,915)	-	-	(5,915)
Transfers	44,364	(42,951)	(1,413)	-
Total Other Income (Expense)	95,135	68,305	408,358	571,798
CHANGE IN NET ASSETS	818,022	(882,797)	598,203	533,428
NET ASSETS, BEGINNING OF YEAR	(886,990)	2,243,501	3,173,471	4,529,982
NET ASSETS, END OF YEAR	$ (68,968)	$ 1,360,704	$ 3,771,674	$ 5,063,410

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

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 152,739	$ 5,266,787	$ 179,980	$ 5,599,506
161,341	-	-	161,341
28,659	-	-	28,659
475,958	-	-	475,958
-	-	-	-
5,904,347	(5,959,981)	55,634	-
6,723,044	(693,194)	235,614	6,265,464
410,991	-	-	410,991
6,381,560	-	-	6,381,560
104,685	-	-	104,685
6,897,236	-	-	6,897,236
1,626	2,693	10,891	15,210
27,621	49,372	140,775	217,768
9,700	22,309	64,987	96,996
(7,979)	-	-	(7,979)
131,188	(149,278)	18,090	-
162,156	(74,904)	234,743	321,995
(12,036)	(768,098)	470,357	(309,777)
(874,954)	3,011,599	2,703,114	4,839,759
$ (886,990)	$ 2,243,501	$ 3,173,471	$ 4,529,982

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 533,428	$ (309,777)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized gain on investments	(470,353)	(217,768)
Contributions of long-term investments	(1,071,857)	(5,446,767)
Forgiveness of debt income	(889,800)	-
Changes in Assets and Liabilities		
(Increase) decrease in accounts receivable	4,672	(12,205)
Decrease in unrestricted unconditional promises to give	11,721	22,622
Increase (decrease) in accounts payable	(4,184,933)	4,746,766
Net Cash Flows From Operating Activities	(6,067,122)	(1,217,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(147,780)	(456,631)
Proceeds from sale of investments	105,826	1,100,624
Net Cash Flows From Investing Activities	(41,954)	643,993
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	90,707
(Increase) decrease long-term unconditional promises to give	426,226	(322,893)
Increase (decrease) in notes payable	-	437,185
Collections of contributions restricted for long-term purposes	1,498,083	5,189,550
Net Cash Flows From Financing Activities	1,924,309	5,394,549
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,184,767)	4,821,413
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,821,413	-
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 636,646	$ 4,821,413
REQUIRED DISCLOSURE		
Interest paid	$ 5,915	$ 7,979

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, 2011 AND 2010

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.

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

  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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

- **Riverside Community College District Development Corporation**

  The Riverside Community College District Development Corporation (the Corporation) is a legally separate organization and a 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.

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

Operating expenses are 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Investments

Investments held at June 30, 2011 and 2010, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Assets because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 $91,342 and $93,494 for the years ended June 30, 2011 and 2010, 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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 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.

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.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is 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.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations, and OPEB obligations with maturities greater than one year.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. 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, 2011 AND 2010

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 $20,750,158 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.

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 certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Direct Student 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 years ended June 30, 2011 and 2010, the District distributed $4,357,631 and $4,425,366, respectively, in direct lending through the U.S. Department of Education. As of July 1, 2010, the Federal Family Education Loan program ended and was replaced by the Federal Direct Student Loan program. As of June 30, 2011, the $4,357,631 of direct lending have been included as revenues and expenses within the accompanying financial statements as the amounts are passed directly to the District and then to qualifying students. These amounts are also included on the Schedule of Expenditures of Federal Awards.

On Behalf Payments

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

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

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

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

Investments are reported at fair value in accordance with FASB Topic ASC 820, *Fair Value Measurements and Disclosures*.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

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.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

	Primary Government
Cash on hand and in banks	$ 449,351
Cash in revolving	50,000
Investments	161,276,836
Total Deposits and Investments	$ 161,776,187

	Fiduciary Funds
Cash on hand and in banks	$ 2,000,087

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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:

Investment Type	Fair Market Value	Maturity Date
County Pooled Investment	$ 161,450,174	1.31*

*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, 2011.

Investment Type	Minimum Legal Rating	Rating June 30, 2011	Fair Market Value
County Pooled Investment	Not Required	AAA	$ 161,450,174

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, 2011, the District and fiduciary funds had bank balances of $1,179,356 and $2,036,133, respectively, totaling $3,215,489 of which $2,264,339 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.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions (the Dodd-Frank Deposit Insurance Provision).

All funds in a "noninterest-bearing transaction account" are insured in full by the Federal Deposit Insurance Corporation from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules. However, as of June 30, 2011, all deposits of the District are in interest-bearing transaction accounts which are limited to coverage up to $250,000.

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, 2011, $161,276,836 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, 2011, the balances held in financial institutions of $1,371,209 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, 2011 AND 2010

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:

	Primary Government	
	2011	2010
Federal Government		
Categorical aid	$ 6,868,214	$ 5,817,700
FEMA	174,843	-
State Government		
Apportionment	24,203,536	19,559,392
Categorical aid	2,197,640	2,345,281
Other State sources	12,777,841	7,155,680
Local Sources		
Interest	247,424	199,575
Property taxes	1,316,835	1,484,797
Riverside Community College District Foundation	155,782	794,934
Riverside County Redevelopment Agency	1,208,503	1,237,097
Contributions from Foundation for Aquatics Complex	556,929	4,831,506
Other local sources	2,517,261	1,294,991
Total	$ 52,224,808	$ 44,720,953
Student receivables	$ 456,710	$ 467,469
Less allowance for bad debt	(91,342)	(93,494)
Student receivables, net	$ 365,368	$ 373,975
Total Receivables, Net	$ 52,590,176	$ 45,094,928

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, 2011 AND 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2011, 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	45,860,319	58,949,478	25,798,175	79,011,622
Total Capital Assets Not Being Depreciated	78,363,016	58,949,478	25,798,175	111,514,319
Capital Assets Being Depreciated				
Land improvements	11,287,106	311,660	-	11,598,766
Buildings and improvements	194,617,048	28,774,782	-	223,391,830
Furniture and equipment	28,772,543	2,508,904	234,452	31,046,995
Total Capital Assets Being Depreciated	234,676,697	31,595,346	234,452	266,037,591
Total Capital Assets	313,039,713	90,544,824	26,032,627	377,551,910
Less Accumulated Depreciation				
Land improvements	5,362,378	411,392	-	5,773,770
Buildings and improvements	38,311,015	6,940,960	-	45,251,975
Furniture and equipment	21,390,557	3,742,298	212,543	24,920,312
Total Accumulated Depreciation	65,063,950	11,094,650	212,543	75,946,057
Net Capital Assets	$ 247,975,763	$ 79,450,174	$ 25,820,084	$ 301,605,853

Depreciation expense for the year was $11,094,650.

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 several 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, 2011, the District has not recorded a value for the collection in the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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	46,079,762	34,677,699	2,394,445	78,363,016
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	225,992,828	9,005,848	321,979	234,676,697
Total Capital Assets	272,072,590	43,683,547	2,716,424	313,039,713
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	56,904,779	8,481,150	321,979	65,063,950
Net Capital Assets	$ 215,167,811	$ 35,202,397	$ 2,394,445	$ 247,975,763

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2011	2010
Accrued payroll and benefits	$ 924,063	$ 827,815
Apportionment	1,804,406	-
Student financial aid grants	2,377,808	2,734,538
State categorical programs	336,469	121,293
Construction payables	11,444,871	7,501,255
Vendor payables	3,098,648	1,642,816
Total	$ 19,986,265	$ 12,827,717

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

	Fiduciary Funds	
	2011	2010
Vendor payables	$ 65,210	$ 25,172

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, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $11,710,000 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 2011 until 100 percent of the total principal and interest is due at maturity in October 31, 2011. The total outstanding Tax and Revenue Anticipation Notes of $11,710,000 was paid in full to the fiscal agent on July 29, 2011.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2009-2010 2.50% TRANS, Series B	$ 11,020,000	$ -	$ 11,020,000	$ -
2010-2011 2.50% TRANS, Series L	-	11,710,000	-	11,710,000
Total	$ 11,020,000	$ 11,710,000	$ 11,020,000	$ 11,710,000

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2011	2010
State categorical aid	$ 1,315,735	$ 1,745,945
Other State aid	130,000	202,402
Enrollment fees	1,369,008	1,393,680
Theater subscriptions	259,682	252,371
Health and liability self-insurance	1,095,057	1,172,937
Community Learning in Partnership	758,546	-
Summer community education fees	23,500	132,098
Other local	166,736	49,633
Total	$ 5,118,264	$ 4,949,066

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2011, the amount owed between the government and the fiduciary funds were $29,519 and $48,154, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2011 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	$ 500,000
General obligation bonds,					
Refunding Bond 2005	55,212,992	841,477	1,740,000	54,314,469	1,830,000
Net unamortized debt premium	4,380,099	-	162,837	4,217,262	162,837
General obligation bonds, Series 2007 C	73,695,000	-	5,185,000	68,510,000	-
Net unamortized debt premium	2,288,786	-	176,060	2,112,726	176,060
General obligation bonds, Series 2010 D/D-1	-	110,118,806	-	110,118,806	-
Net unamortized debt premium	-	1,725,887	33,936	1,691,951	58,176
Total Bonds Payable	139,051,877	112,686,170	7,297,833	244,440,214	2,727,073
Other Liabilities					
Compensated absences	2,474,015	140,343	-	2,614,358	1,206,283
Capital leases	26,902	176,088	18,002	184,988	44,576
Supplementary Retirement Plan (SRP)	3,098,734	2,290,285	891,172	4,497,847	1,349,229
Load banking	771,705	325,010	269,495	827,220	14,286
Other postemployment benefits (OPEB)	1,653,090	2,262,462	577,224	3,338,328	-
Total Other Liabilities	8,024,446	5,194,188	1,755,893	11,462,741	2,614,374
Total Long-Term Obligations	$147,076,323	$117,880,358	$9,053,726	$255,902,955	$ 5,341,447

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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	162,837
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	176,060
Total Bonds Payable	145,296,859	748,915	6,993,897	139,051,877	7,263,897
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	$ 9,522,461

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 General Fund. The compensated absences are paid 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, 2011, the principal outstanding was $3,475,000.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

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.

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, 2011, the principal outstanding was $54,314,469, and net unamortized debt premium was $4,217,262.

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, 2011
Deferred loss on refunding	$ (2,368,905)
Debt issue costs	(629,653)
Debt premium	7,215,820
Net unamortized debt premium	$ 4,217,262

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, 2011, the principal outstanding was $68,510,000 and unamortized premium and issuance costs of $2,112,726 and $813,623, 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.

2010 General Obligation Bonds

During December 2010, the District issued the 2010 General Obligation Bonds in the amount of $109,999,278. The bonds mature beginning on August 1, 2015 through August 1, 2040, with interest yields ranging from 2.36 to 5.53 percent. The bonds issued included $102,300,000 of current interest Build America Bonds (Series 2010D-1 Bonds) and $7,699,278 of capital appreciation tax-exempt bonds (Series 2010D Bonds), with the value of the capital appreciation bonds maturing to a principal balance of $15,920,000. At June 30, 2011, the principal balance outstanding was $110,118,806 and unamortized premium and issuance cost of $1,691,951 and $926,415, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The District has designated the Series 2010D-1 Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the Stimulus Act), the interest on which is not excluded from gross income for Federal income tax purposes, but is exempt from State of California personal income taxes. The District expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable on such Series 2010D-1 Bonds. The District is obligated to make all payments of principal and interest on the Series 2010D-1 Bonds from the sources described in the official statement whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

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, 2015.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2011
2004	2030	4.00%-5.25%	$ 55,205,000	$ 3,475,000	$ -	$ -	$ -	$ 3,475,000
2005	2025	3.00%-5.00%	58,386,109	55,212,992	-	841,477	1,740,000	54,314,469
2007	2033	3.62%-4.47%	90,000,000	73,695,000	-	-	5,185,000	68,510,000
2010	2041	2.36%-5.53%	109,999,278	-	109,999,278	119,528	-	110,118,806
				$ 132,382,992	$ 109,999,278	$ 961,005	$ 6,925,000	$ 236,418,275

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Fiscal Year	Principal	Interest to Maturity	Total
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	15,000	29,156	44,156
2017-2021	105,000	132,314	237,314
2022-2026	195,000	94,443	289,443
2027-2030	245,000	28,675	273,675
Total	$ 3,475,000	$ 669,188	$ 4,144,188

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2012	$ 1,766,031	$ 63,969	$ 2,310,500	$ 4,140,500
2013	1,691,814	323,186	2,298,250	4,313,250
2014	1,617,796	547,204	2,298,250	4,463,250
2015	1,539,590	775,410	2,298,250	4,613,250
2016	1,734,238	1,195,762	2,298,250	5,228,250
2017-2021	20,195,000	-	9,193,625	29,388,625
2022-2025	25,770,000	-	2,733,750	28,503,750
Total	$ 54,314,469	$ 2,905,531	$ 23,430,875	$ 80,650,875

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Fiscal Year	Principal	Interest to Maturity	Total
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	-	3,425,500	3,425,500
2017-2021	-	17,127,500	17,127,500
2022-2026	7,325,000	16,944,375	24,269,375
2027-2031	47,935,000	9,714,375	57,649,375
2032-2033	13,250,000	381,250	13,631,250
Total	$ 68,510,000	$ 61,295,000	$ 129,805,000

The General Obligation Bonds, Series 2010 D/D1 mature through 2041 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2012	$ -	$ -	$ 7,164,193	$ 7,164,193
2013	-	-	7,164,193	7,164,193
2014	-	-	7,164,193	7,164,193
2015	-	-	7,164,193	7,164,193
2016	221,959	153,041	7,322,979	7,697,979
2017-2021	2,050,524	2,789,476	38,660,925	43,500,925
2022-2026	5,546,323	5,158,677	41,042,940	51,747,940
2027-2031	-	-	35,820,965	35,820,965
2032-2036	36,580,000	-	30,916,867	67,496,867
2037-2041	65,720,000	-	12,252,348	77,972,348
Total	$ 110,118,806	$ 8,101,194	$ 194,673,796	$ 312,893,796

Capital Leases

The District has utilized capital leases purchase agreements to primarily purchase equipment. The current lease purchase agreement in the amount of $184,988 will be paid through 2016.

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

Year Ending June 30,	Lease Payment
2012	$ 52,165
2013	39,936
2014	39,937
2015	39,937
2016	36,609
Total	208,584
Less: Amount Representing Interest	23,596
Present Value of Minimum Lease Payments	$ 184,988

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

Equipment	$ 314,533
Less: Accumulated depreciation	(102,610)
Total	$ 211,923

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

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, 2011, the outstanding balance was $4,497,847. See Note 14 for additional information regarding the SRP obligation.

Fiscal Year	SRP Payment
2012	$ 1,349,229
2013	896,854
2014	896,853
2015	896,854
2016	458,057
Total	$ 4,497,847

Compensated Absences

Compensated absence obligations for the District at June 30, 2011, amounted to $2,614,358 of which $1,206,283 is considered current.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2011, was $2,282,222, and contributions made by the District during the year were $577,224. Interest on the net OPEB obligation and adjustments to the annual required contribution were $82,655 and $(102,415), respectively, which resulted in an increase to the net OPEB obligation of $1,685,238. As of June 30, 2011, the net OPEB obligation was $3,338,328. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Load Banking

The load banking obligation for the District at June 30, 2011, amounted to $827,220 of which $14,286 is considered current.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (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 69 retirees and beneficiaries currently receiving benefits and 1,015 active Plan members.

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 2010-2011, the District contributed $577,224 to the Plan, all of which was used for current premiums.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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	$ 2,282,222
Interest on net OPEB obligation	82,655
Adjustment to annual required contribution	(102,415)
Annual OPEB cost (expense)	2,262,462
Contributions made	(577,224)
Increase in net OPEB obligation	1,685,238
Net OPEB obligation, beginning of year	1,653,090
Net OPEB obligation, end of year	$ 3,338,328

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
2011	2,262,462	577,224	26%	3,338,328

Funding Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 15,799,353
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 15,799,353
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll	N/A
UAAL as Percentage of Covered Payroll	N/A

The above noted actuarial accrued liability was based on the July 1, 2009, 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, 2009, 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 eight 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, 2011, was 27 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2011, 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2011, 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.

Workers' Compensation

For fiscal year 2010-2011, 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.

Insurance Program / JPA Name	Type of Coverage	Limits
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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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.

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, 2009 to June 30, 2011:

	Self-Insurance
Liability Balance, July 1, 2009	$ 5,364,973
Claims and changes in estimates	6,020,427
Claims payments	(6,065,549)
Liability Balance, June 30, 2010	5,319,851
Claims and changes in estimates	273,257
Claims payments	(3,436,279)
Liability Balance, June 30, 2011	$ 2,156,829
Assets available to pay claims at June 30, 2011	$ 7,488,482

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 an actuarial valuation of its self-insured medical benefits, workers' compensation, and general liability programs.

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, 2011 AND 2010

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 2010-2011 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, 2011, 2010, and 2009, were $5,263,423, $5,301,072, and $5,560,357, 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 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were $3,960,411, $3,606,582, and $3,263,162, respectively, and equaled 100 percent of the required contributions for each year.

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 $2,721,709, $2,741,776, and $3,029,760, (4.267 percent) of salaries subject to CalSTRS for the years ending June 30, 2011, 2010, and 2009, 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, permit 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 Plan #763 as of June 30, 2011. Total contributions to the plan amounted to $610,188.

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 eight (8) 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, 2011, 2010, and 2009, which amounted to 32, 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, 2011, the District made payments of $37,392, $9,865, $1,505,668, and $574,648 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, 2011.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Litigation

The District is involved in various actions arising from the normal course of business. In these actions, the District is both the plaintiff and defendant. Legal claims are settled throughout the year, and management has reviewed all such settlements through the date of this report. While an action has been settled in the District's favor during this period of time, the disposition of the final settlement will take place over a four year period of time and, in the opinion of management, will not have a material impact on the overall financial statements of the District as of June 30, 2011. In the opinion of management, other action that is ongoing and has not reached a settlement as of the date of this report is not anticipated to have a material adverse effect on the overall financial statements of the District.

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
2012	$ 2,671,203
2013	37,116
2014	37,116
2015	32,757
Total	$ 2,778,192

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Construction Commitments

As of June 30, 2011, the District had the following budgetary commitments with respect to the unfinished capital projects:

Project	Estimated Cost to Complete	Percent Complete	Estimated Completion
District - Citrus Street Savings and Loan Gallery - Market Street	$ 3,331,991	16.70%	FY 11/12
Moreno Valley - Allied Health Redistribution	3,417,996	25.92%	FY 12/13
Moreno Valley - Learning Gateway Building	26,826,231	15.64%	FY 13/14
Moreno Valley - March Dental Education Center	5,765,377	46.12%	FY 11/12
Norco - Secondary Effects Projects	12,746,238	20.38%	FY 12/13
Riverside - Nursing/Science Building	14,818,364	75.75%	FY 11/12
Riverside - Phase II Wheelock Gymnasium Seismic Retrofit	10,804,313	49.34%	FY 11/12
Riverside - Quad Basement Remodel	398,836	14.69%	FY 11/12
	$ 78,109,346	47.94%	

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.

Deferral of State Apportionments

The State legislature has enacted a budget as of June 30, 2011. As a result, certain apportionments owed to the Community College District System and Riverside Community College District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was $24,203,536. As of July 8, 2011, 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 four-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. The State-wide budget for the 2011-2012 fiscal year was adopted as of June 30, 2011. As a result of the 2011-2012 enacted budget, the California Community College System and Riverside Community College District will face a $313 million and $7.6 million net reduction to general apportionment, respectively. In addition, the enacted budget adds $129 million in deferrals for a total of $961 million for California community colleges. For Riverside Community College District, this is approximately $27.8 million of which January 2012 through June 30, 2012, apportionments will be deferred until July and October of 2012.

The District has continued to serve students in excess of the State funded level which has resulted in approximately $11.5 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 $15,940,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on March 1, 2012, with an interest rate of 2.0 percent, and yield of .65 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 2012 until 100 percent of principal and interest due is on account on February 29, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011

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
July 1, 2009	$ -	$ 15,799,353	$ 15,799,353	0.00%	N/A	N/A

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2011

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 City, Norco, and Moreno Valley Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Janet Green	President	December 2014
Mark A. Takano	Vice President	December 2012
Mary Figueroa	Secretary	December 2012
Virginia Blumenthal	Member	December 2014
Samuel Davis	Member	December 2014

DISTRICT ADMINISTRATION

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

COLLEGE ADMINISTRATION

Dr. Cynthia Azari	President, Riverside City College
Dr. Brenda Davis	President, Norco College
Dr. Tom Harris	Interim President, Moreno Valley College

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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		$ 11,679
Pass through from University of California, Riverside (UCR)			
GS-5 Certified: Increasing Soil Science Education	10.223	S-000440	1,600
Pass through from California Department of Education (CDE)			
Child and Adult Care Food Program	10.558	[1]	11,789
Total U.S. Department of Agriculture			25,068
U.S. DEPARTMENT OF DEFENSE			
Procurement Assistance Center (PAC)	12.002	SP4800-09-2-0848	109,416
Procurement Assistance Center (PAC)	12.002	SP4800-11-2-1148	129,075
Total U.S. Department of Defense			238,491
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Economic Development Initiative - Special Project Grant	14.246		545,400
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership	16.607		1,516
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	313,611
Governor's 15% WIA Funds for Allied Health Programs	17.258	09-115-14	198,476
ARRA - Allied Health Program Stimulus Phase II Expansion	17.258	09-127-01	247,810
Pass through from Riverside County (EDA)			
ARRA - Community College Class Size Training	17.258/17.260	2009/2011-179-201-501	635,118
ARRA - Summer Work Experience Program	17.259	SWEP 2010-179-107-R-RCCD	346,188
Subtotal WIA Cluster			1,741,203
Pass through from San Bernardino Community College District			
ARRA - Southern California Logistics Tech Collaborative	17.275	[1]	235,496
Total U.S. Department of Labor			1,976,699
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 Phase II	19.009	S-ECAAS-09-CA-178(TG)	15,038
NATIONAL SCIENCE FOUNDATION			
Logistics Technicians: Goods to Go	47.076		256,274
SMALL BUSINESS ADMINISTRATION			
Pass through from California State University, Fullerton			
Auxiliary Services Corporation			
Tri-Tech Small Business Development Center	59.037	S-5133-TriTech	72,608
Tri-Tech Small Business Development Center	59.037	S-4872-TriTech-2010	192,080
Total Small Business Administration			264,688

[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, 2011

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		$ 5,649
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
Student Support Services Program	84.042A		513,607
Upward Bound Program	84.047A		769,086
Subtotal TRIO Cluster			1,282,693
Success by Design: A Demonstration Model for Institutional Partnerships Serving Out-of-School Youth	84.353A		197,685
Student Financial Assistance Cluster			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		559,463
FSEOG Administrative	84.007		37,282
Federal Work Study Program (FWS)	84.033		600,021
Federal Work Study Administrative	84.033		36,981
Federal Pell Grants (PELL)	84.063		44,330,578
Federal Pell Administrative	84.063		140,304
Federal Direct Student Loans (Direct Loans)	84.268		4,357,631
Academic Competitiveness Grant (ACG)	84.375		39,673
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantaged Students	93.925		200,251
ARRA - Scholarships for Disadvantaged Students	93.407		125,118
Subtotal Student Financial Assistance Cluster			50,427,302
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
Higher Education - Institutional Aid	84.031		741,365
Higher Education - Institutional Aid	84.031		421,934
Higher Education - Institutional Aid	84.031		691,022
Higher Education - Institutional Aid	84.031		447,049
COLLEGE COST REDUCTION AND ACCESS ACT			
CCRAA - Access to Success	84.031		695,865
CCRAA - Project Success Program	84.031		546,897
CCRAA - Step up to Success Cooperative	84.031		720,301
Subtotal Higher Education - Institutional Aid			4,264,433
Fund for Improvement of Post-Secondary Education (FIPSE)	84.116Z		114,546
CAREER AND TECHNICAL EDUCATION ACT			
Pass through from California Community College Chancellor's Office			
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	10-342-007	154,935
Career and Technical Education, Title I-C	84.048	10-C01-045	1,005,549
Technical Preparation	84.243	10-139-960	335,129

[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, 2011

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	$ 230,409
ARRA - Workability	84.390A	27785A	37,327
Subtotal Vocational Rehabilitation Cluster			267,736
ELEMENTARY AND SECONDARY EDUCATION ACT			
FIE Earmark Grant Awards	84.215K		8,356
Pass through from California Community College Chancellor's Office			
ARRA State Fiscal Stabilization Funds (SFSF)	84.394	[1]	58,361
Total U.S. Department of Education			58,116,725
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Nurse Education, Practice and Retention	93.359		258,045
ARRA - Equipment to Enhance Training for Health Professionals	93.411		215,461
Health Care and Other Facilities - HRSA	93.887		19,720
Pass through from California Community College Chancellor's Office			
TANF Cluster			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	136,689
Pass through from Riverside County, Workforce Development Center			
ARRA Subsidized Time-Limited Employment Program (STEP)	93.714	PY2009/2010-098-179	69,137
Subtotal TANF Cluster			205,826
Pass through from California Community College Chancellor's Office			
Foster Care Education Program	93.658	[1]	49,421
Pass through from Yosemite Community College District			
Early Childhood Study - Consortium Grant	93.575	10-11-4165	17,475
Pass through from Foundation for California Community College (FCCC)			
Child Development Careers (WORKs!) Program	93.575	1012-35	55,513
Youth Empowerment Strategies for Success - (YESS-ILP)	93.674	[1]	1,482
Pass through from Riverside County Department of Public Social Services			
Foster Care Education Program	93.658	CS-01692	67,772
Independent Living Skills - Emancipation Services	93.674	CS-3989-00	80,144
Independent Living Skills - Emancipation Services	93.674	CS-01175-01	1,096,888
Pass through from Riverside County, Community Action Partnership			
ARRA CAP of Riverside County Culinary	93.710	CAP-09-033	87,390
Pass through from California Department of Health Services			
Medical Assistance Program (MAA)	93.778	[1]	138,506
Total U.S. Department of Health and Human Services			2,293,643
COOPERATION FOR NATIONAL AND COMMUNITY SERVICE			
Pass through from San Francisco State University			
Social Innovation Generation: Student Leadership Initiative	94.005	S10-0036	4,878
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Grants - Public Assistance	97.036		262,826
Total Expenditures of Federal Awards			$ 64,006,895

[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, 2011

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program (BFAP) - unrestricted	$ 164,710	$ -	$ 164,710
Part Time Faculty Insurance	7,794	-	7,794
Part Time Faculty Office Hours	54,269	(886)	53,383
Part Time Faculty Compensation	568,878	-	568,878
Homeowner Property Tax Relief	467,466	-	467,466
State Tax Subventions	573	-	573
State Lottery - Non-Proposition 20	3,343,454	-	3,343,454
State Mandated Cost	548,390	-	548,390
Awareness	10,000	-	10,000
Board Financial Assistance Program (BFAP) - restricted	1,134,568	38,576	1,173,144
Basic Skills/ESL 2008-2009	-	135,849	135,849
Basic Skills/ESL 2009-2010	-	266,066	266,066
Basic Skills/ESL 2010-2011	368,274	-	368,274
CARE	135,718	-	135,718
CSUSB Bridges Stem Cell Research	24,900	-	24,900
CTE Community Collaborative Project 2008-2009	-	143,453	143,453
CTE Community Collaborative Project 2009-2010	-	309,958	309,958
CTE Community Collaborative Project Supplement 2008-2009	-	31,335	31,335
CTE Community Collaborative Project Supplement 2009-2010	-	77,169	77,169
CTE Community Collaborative Project Supplement 2010-2011	400,000	-	400,000
CTE Enrollment Growth and Retention AND-RN	-	61,653	61,653
CTE Enrollment Growth and Retention AND-RN 2009-2010	-	510,050	510,050
CTE Enrollment Growth and Retention AND-RN 2010-2011	260,687	-	260,687
CTE Workforce Innovation Partnership	-	150,000	150,000
Disabled Student Program and Services - DSPS	1,621,057	-	1,621,057
Extended Opportunity Program and Service - (EOPS)	1,180,445	-	1,180,445
Instructional Equipment and Library Materials	-	26,003	26,003
Matriculation Grant	867,175	-	867,175
Physician's Assistant Base	100,000	-	100,000
Song Brown Nursing 2009-2011	-	101,325	101,325
Song Brown Nursing 2010-2012	200,000	-	200,000
Song Brown RN Special Programs	-	1,209	1,209
Song Brown RN Special Programs 2010-2012	124,358	-	124,358

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 164,710	$ -	$ -	$ -	$ 164,710	$ 164,710
7,794	-	-	-	7,794	7,794
53,383	-	-	-	53,383	53,383
568,878	-	-	-	568,878	568,878
467,464	2	-	-	467,466	467,466
-	573	-	-	573	573
2,014,046	1,374,582	-	-	3,388,628	3,388,628
548,390	-	-	-	548,390	548,390
-	1,967	-	-	1,967	1,967
1,173,144	-	-	106,717	1,066,427	1,066,427
135,849	-	759	-	135,090	135,090
266,066	-	-	28,327	237,739	237,739
368,274	-	-	108,100	260,174	260,174
135,717	-	561	-	135,156	135,156
-	2,822	-	-	2,822	2,822
140,467	-	-	-	140,467	140,467
309,958	-	-	163,338	146,620	146,620
31,211	-	-	-	31,211	31,211
77,169	-	-	37,860	39,309	39,309
400,000	-	-	400,000	-	-
61,653	-	-	-	61,653	61,653
415,100	-	-	58,842	356,258	356,258
218,977	-	-	216,215	2,762	2,762
150,000	-	-	131,264	18,736	18,736
1,621,057	-	-	-	1,621,057	1,621,057
1,180,445	-	46,244	-	1,134,201	1,134,201
26,003	-	-	-	26,003	26,003
867,175	-	-	-	867,175	867,175
71,230	28,766	-	-	99,996	99,996
76,305	12,214	-	-	88,519	88,519
74,980	32,989	-	-	107,969	107,969
1,209	-	-	-	1,209	1,209
37,461	15,175	-	-	52,636	52,636

(Continued)

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
CalWORKS	$ 491,645	$ -	$ 491,645
CalWORKS Community College Set-Aside	80,000	-	80,000
CACT HUB FP3	-	1,000	1,000
Compet Tech (CACT)	-	80	80
Economic Development - CITD State Leadership	172,500	-	172,500
ECP - CITD Leadership	-	49,932	49,932
Faculty Entrepreneurship Project	5,000	-	5,000
Foster Care Education Program	65,508	-	65,508
Middle College High School	99,454	-	99,454
Nursing Faculty Recruitment and Retention	-	136,364	136,364
RCOE Zenith Mentoring Foster Youth/ILP	-	(720)	(720)
Small Business Development Center State CCCCO	160,000	-	160,000
Staff Development	-	9,685	9,685
Staff Diversity	11,079	44,801	55,880
State Lottery - Proposition 20	508,000	-	508,000
State Transition to Nursing Practice	10,000	-	10,000
CHILD DEVELOPMENT FUND			
Campus Child Care Tax Bailout	70,348	-	70,348
Child Nutrition Program	-	-	-
STUDENT FINANCIAL AID FUND			
Cal Grant B and C	2,009,576	-	2,009,576
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 491,645	$ -	$ 54,616	$ -	$ 437,029	$ 437,029
80,000	-	20,114	-	59,886	59,886
1,000	-	-	-	1,000	1,000
80	-	-	-	80	80
103,500	47,861	-	-	151,361	151,361
49,932	-	-	6,237	43,695	43,695
-	4,975	-	-	4,975	4,975
52,153	25,144	-	-	77,297	77,297
39,782	59,672	-	-	99,454	99,454
136,364	-	106,374	-	29,990	29,990
(720)	-	-	-	(720)	(720)
85,813	74,187	-	-	160,000	160,000
9,685	-	-	8,220	1,465	1,465
55,880	-	-	41,422	14,458	14,458
37,736	507,753	-	-	545,489	545,489
10,000	-	-	9,193	807	807
70,348	-	-	-	70,348	70,348
498	94	-	-	592	592
2,043,212	8,864	107,801	-	1,944,275	1,944,275
$ 14,931,023	$ 2,197,640	$ 336,469	$ 1,315,735	$ 15,476,459	$ 15,476,459

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT AS OF JUNE 30, 2011

CATEGORIES	*(Revised) Reported Data	Audit Adjustments	Revised Audited Data
Credit Full-Time Equivalent Student (FTES)			
A. Summer Intersession (Summer 2010 only)			
1. Credit	2,489	-	2,489
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) - Weekly Census Contact Hours	18,287	-	18,287
(b) - Daily Census Contact Hours	2,494	-	2,494
2. Actual Hours of Attendance			
(a) - Credit	1,811	-	1,811
3. Alternative Attendance Accounting Procedure			
(a) - Weekly Census Procedure Courses	2,561	-	2,561
(b) - Daily Census Procedure Courses	1,391	-	1,391
Subtotal	29,033	-	29,033
Noncredit FTES			
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	18	-	18
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Actual Hours of Attendance			
(a) - Noncredit	98	-	98
2. Alternative Attendance Accounting Procedure			
(a) - Noncredit Independent Study	-	-	-
Subtotal	116	-	116
Total FTES	29,149	-	29,149
Supplemental Information (subset of above information)			
In-Service Training Courses (FTES)			643
Basic Skills Courses			
1. Noncredit			41
2. Credit			2,146
Total Basic Skills FTES			2,187

* Annual report revised on November 1, 2011.

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, 2011

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

	General Fund
June 30, 2011, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	$ 24,778,003
Adjustments in Fund Balance	
Reduction in accounts payable	125,235
Audited Fund Balance	$ 24,903,238

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 24,903,238	
Special Revenue Funds	101,456	
Capital Outlay Projects	132,075,207	
Debt Service Funds	11,863,219	
Proprietary Fund	5,331,653	
Total Fund Balances - All District Funds		**$ 174,274,773**
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	377,551,910	
Accumulated depreciation is	(75,946,057)	301,605,853
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.		(5,922,703)
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:		1,724,869
Long-term obligations at year end consist of:		
Bonds payable	244,440,214	
Capital leases payable	184,988	
Compensated absences	2,614,358	
Load banking	827,220	
Supplementary retirement plan (SRP)	4,497,847	
Other postemployment benefits (OPEB)	3,338,328	
Less compensated absences already recorded in funds	(1,206,283)	(254,696,672)
Total Net Assets		**$ 216,986,120**

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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 - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Build America Bond funds that have been recorded as revenues, but not reported on the Schedule of Expenditures of Federal Awards. Build America Bonds are not subject to OMB Circular A-133 audit, therefore, are not required to be reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		$ 64,571,078
Build America Bonds	N/A	(564,180)
Other Federal programs	N/A	(3)
Total Expenditures of Federal Awards		$ 64,006,895

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
GS-5 Certified: Increasing Soil Science Education	10.223	$ 11,679
Logistics Technicians: Goods to Go	47.076	126,868
Higher Education - Institutional Aid	84.031	203,895
CCRAA - Step Up to Success Cooperative	84.031	35,526
Independent Living Skills - Emancipation Services	93.674	68,561
Total Pass-Through		$ 446,529

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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

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 Governmental Funds 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

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 and the discretely presented component unit of Riverside Community College District (the District) for the years ended June 30, 2011 and 2010, and have issued our report thereon dated November 28, 2011. 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

The management of Riverside Community College District is responsible for establishing and maintaining effective 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Riverside Community College District in a separate letter dated November 28, 2011.

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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 Riverside Community College District's (the District) compliance 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 Riverside Community College District's major Federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. 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 items 2011-1 through 2011-3.

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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 was not designed to 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 items 2011-1 through 2011-3. A *significant deficiency in internal control over compliance* is a deficiency, or 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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Riverside Community College District's responses and, accordingly, we express no opinion on the responses.

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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the basic financial statements of Riverside Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Riverside Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Riverside Community College District's compliance with the State laws and regulations applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Required Data Elements
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 432	Enrollment Fee
Section 433	CalWORKS – Use of State and Federal TANF Funding
Section 435	Open Enrollment
Section 437	Student Fee – Instructional Materials and Health Fees
Section 473	Economic and Workforce Development (EWD)
Section 474	Extended Opportunity Programs and Services (EOPS)
Section 475	Disabled Student Programs and Services (DSPS)
Section 477	Cooperative Agencies Resources for Education (CARE)
Section 478	Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
Section 479	To Be Arranged (TBA) Hours

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Based on our audit, we found that for the items tested, the Riverside Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as items 2011-4 through 2011-7. Our audit does not provide a legal determination on Riverside Community College District's compliance with the State laws and regulations referred to above.

Riverside Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Riverside Community College District's responses and, accordingly, we express no opinion on the responses.

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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes
Identification of major programs	

CFDA Numbers	Name of Federal Program or Cluster
14.246	Economic Development Initiative - Special Project Grant
17.258, 17.258 (ARRA), 17.259 (ARRA), and 17.260 (ARRA)	WIA Cluster (includes ARRA)
17.275 (ARRA)	Southern California Logistics Technology Collaborative (includes ARRA)
84.007, 84.033, 84.063, 84.268, 84.375, 93.925, and 93.407	Student Financial Assistance Cluster
84.031	Higher Education - Institutional Aid
84.048	Career and Technical Education, Title I-B and Title I-C
93.674	Independent Living Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$ 407,388
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

2011-1 Finding - Reporting

Program Affected: WIA Cluster
CFDA #: 17.258, 17.259, 17.260
Fiscal Year: 2010-2011
Compliance Requirement: Reporting
Questioned Costs: None

Criteria or Specific Requirement

Quarterly "Year-to-Date Expenditure and Progress Reports" are required to be filed with the Career Technical Education Program. The Riverside County, Economic Development Agency (EDA) provides additional WIA funding and requires invoicing and documentation to be submitted each month by the 10^{th} calendar day.

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 one quarterly report for the Allied Health Program, Contract #09-127-01 was not submitted within the specified time frame as noted in the Program-Specific Legal Terms and Conditions.

In our sample of monthly invoice reports submitted to Riverside County, we noted three invoices were not submitted within the specified time frame as noted in the contract agreements. The WIA programs affected were the Community College Class Size Training Program Contract #2009/2011-179-201-501 and the Summer Work Experience Program (ARRA) Contract #SWEP 2010-179-171-R-RCCD.

Isolated Instance or Systemic

Isolated Instance - The District has monitoring procedures in place for reporting of grant activity; however, for the reports noted above, the review process was not properly implemented, and the reporting timelines were missed.

Effect

The District is at risk of not complying with the grant reporting requirements established by the Federal and County granting agencies.

Recommendation

We recommend that the District review the reporting requirements by the granting agencies to ensure all expenditure and progress reports can be submitted to the funding agency within the specified timelines.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Management Response and Planned Corrective Action

Riverside City College

The Community College Class Size Training Contract #2009/2011-179-201-501, ARRA - Summer Work Experience Program Contract #SWEP 2010-179-107-R-RCCD and ARRA - Summer Work Experience Program contracts require monthly invoices to be submitted by the tenth of the following month. Year-end reports will continue to be problematic during the duration of the grant period since the final invoice is not available until August. We entered into discussions with the granting agency to extend the due date for monthly and year-end invoices to accommodate the time to prepare, review, and submit reports. The granting agency was unable to accommodate our request. We continue to work with granting agencies to construct contract parameters that are realistic and achievable. We have created a grant reporting matrix that is reviewed weekly so grant reports and submission dates are identified. Workload is structured so that the reports are completed and submitted as specified in the respective contracts.

Moreno Valley College

The "delay of three days of a quarterly year-to-date expenditure and progress report" was filed late because a budget augmentation was needed and had to be approved by the California Community Colleges Chancellor's Office, significantly delaying the certification of the report.

The District has a continuing WIA grant with the Chancellor's Office. The District will enhance oversight procedures to ensure quarterly year-to-date-expenditure, and progress reports and monthly invoices are submitted to each funding agency within the contract agreement terms, and needed budget revisions will be requested and completed well ahead of time.

2011-2 Finding - Compensation for Personnel Services

Programs Affected: Southern California Logistics Tech Collaborative and Title V: Hispanics Serving Institutions (HSI)
CFDA #: 17.275, 84.013
Fiscal Year: 2010-2011
Compliance Requirement: Allowable Cost/Cost Principles
Questioned Costs: $17,575 related to CFDA #84.013

Criteria

OMB Circular A-21, Cost Principles for Educational Institutions, Part J, General Provisions for Selected Items of Cost, No. 10, Compensation for Personnel Services.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Condition

Documentation to support the salary charges for the Southern California Logistics Tech Collaborative through the Office of Economic Development was not provided until after a request was made for the signed documents. The final documents met reporting requirements, but had not been prepared during the year.

Personnel activity reports related to individuals charged to the Title V: Hispanics Serving Institutions did not match the documentation for distribution of charges for personnel services. The variances are noted below under questioned costs.

Questioned Costs

Award Number: P031S060080 Administered at the Moreno Valley College - $8,072

- Two time accounting reports certified an individual was funded 50 percent by Title V: Hispanic Serving Institutions and 50 percent by TRIO; however, the general ledger noted that the individual was charged 90 percent to Title V: Hispanic Serving Institutions.

Award Number: P031C080046 Administered at the Riverside College Campus - $9,503

- It was noted the District made the appropriate adjustments to the general ledger to reflect only 50 percent of the individual's salary was charged to the CCRAA grant. However, one month's time accounting report was not prepared to support the charges to the CCRAA grant.

Isolated Instance or Systemic

Systemic - Written guidance provided by Cost Allocation OMB Circulars describing appropriate methodologies for allocation of time have not been consistently followed within the program grants. Review and monitoring of actual time certified to what is recorded within the general ledger has not been performed consistently.

Effect

Without consistent application and monitoring of the requirements of OMB Circular A-21, the District and the various Federal programs are at risk of misapplying the payroll costs for employees working within multiple Federal programs.

Recommendation

The District should review the requirements of the OMB Circular A-21 and develop specific written procedures that will provide for an acceptable method for documenting the distribution of charges for personal services. Program directors should review and monitor the actual personnel activity reports to ensure that charges to the general ledger are appropriate for the actual work performed.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Management Response and Planned Corrective Action

Department of Economic Development

Per the auditor's recommendations, the Grant Director and appropriate staff have attended the District's training workshops defining policies and procedures for maintaining grant documentation in support of compensation of personnel services in accordance with OMB Circular A-21.

Written procedures are being developed that will provide methods of documentation of the distribution of charges for personnel services. This documentation will be prepared and maintained in grant records as soon as changes are made to compensation of personnel services and reviewed monthly to ensure proper reporting.

Moreno Valley College

We agree with the auditor's findings that specific time allocation reports and the general ledger differed in the instances noted. However, the annual statements are correct and completed for both the District fiscal year and the U.S. Department of Education's Title V HSI fiscal year.

To strengthen control procedures over its activities allowed and ensure time accounting reports adequately reflect an after-the-fact distribution of the actual activity of each employee as required in OMB Circular A-21, we will:

- Improve the time allocation reporting system by ensuring time allocation reports and assignments will be appropriately updated and revised to reflect correct funding and time allocations for all grant assigned professional, academic, and classified personnel.
- Grant assignments will be reviewed, at a minimum, each academic term to ensure the accuracy of percentages assignments related to position funding and time allocation to specific projects and programs.
- Increased time monitoring will occur at the Project Director level on a monthly basis and throughout the fiscal year at the request of the Vice President of Business Services.
- Additionally, the detailed reports for all positions funded out of grants under our unit will be reviewed quarterly, if not monthly, to ensure accuracy.

Riverside City College

The percentage charged to the CCRAA grant for one individual was incorrectly reported in the Fall 2010 semester. The error was corrected at a later date to reflect the proper percentage and charges to the program. To prevent this from occurring in the future, time and effort reporting will be completed on a monthly basis and compared to payroll information. If an error is discovered, it will be reported immediately.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

2011-3 Finding - Subrecipient Monitoring

Programs Affected: Higher Education - Institutional Aid
CFDA #: 84.031
Award Year: 2010-2011
Compliance Requirement: Subrecipient Monitoring
Questioned Costs: None

Programs Affected

Title V: Hispanic Serving Institution Cooperative, U.S. Department of Education (CFDA #84.031)
Award Number: P031S100123

Criteria or Specific Requirement

OMB Circular A-133 Compliance Supplement, Audits of State and Local Governments and Not-for-Profit Organizations, subpart D - Federal agencies and pass-through entities states the following regarding pass-through entity responsibilities:

> *A pass-through entity is responsible for identifying and notifying the Subrecipient of the Federal Award information including the proper CFDA title and number, the award name and number, the Federal awarding agency, and all applicable compliance requirements.*

Condition

In our sample of Subrecipient contracts, we noted one contract provided through the Norco College reflected inaccurate award information. The information provided to the Subrecipient included the incorrect CFDA number of 10.223 which is administered under the provisions of the U.S. Department of Agriculture. The correct CFDA number for this subaward is 84.031 which is administered under the provisions of the U.S. Department of Education.

Isolated Instance or a Systemic

Isolated Instance - Of the two grants passed through to a Subrecipient, one was noted to have incorrectly identified the awarding agency's CFDA number.

Effect

By not providing the accurate award information to the Subrecipient, there is the possibility that the program will not be administered within the appropriate compliance requirements.

Recommendation

Control procedures over the contracts with Subreceipients should be enhanced to include a secondary monitoring of the grant requirements to reduce the possibility that inaccurate information is included within the grant subaward.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Management Response and Planned Corrective Action

The incorrect Catalog of Federal Domestic Assistance (CFDA) program number was listed on the cover page of a subcontract award. This mistake occurred because a previously approved contract template was used and the CFDA number was not changed. Even though the contract underwent extensive review, the error went unnoticed. However, it should be noted that the language in the actual contract referenced the correct awarding agency (U.S. Department of Education) and grant award number. Management will enhance contract review processes to prevent this mistake from reoccurring in the future.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2011-4 Finding - Full-Time Equivalent Students (FTES) Misreporting

Programs Affected: Apportionment Funding System
Fiscal Year: 2010-2011

Criteria or Specific Requirement

Title V Regulations
California Community Colleges Chancellor's Office *Student Attendance Accounting Manual (SAAM)*

Condition

During the audit of weekly student contact hour procedures, the following discrepancy related to contact hours was noted:

- BIO-1-47238: Contact hours under reported by 104.32 contact hours

During the audit of actual hours of attendance procedures - contact hour procedures, we noted the following discrepancies resulted in a total of 5,520.60 over reported contact hours and calculated 10.31 over reported FTES:

- NRN-7 courses over reported 383.2 contact hours
- NRN-8 courses over reported 412.0 contact hours
- NRN-9 courses over reported 673.0 contact hours
- PHT-12 courses over reported 3,024.0 contact hours
- PHT-13 courses over reported 672.0 contact hours
- PHT-19 courses over reported 896.0 contact hours
- JOU-20 courses under reported 540.0 contact hours

Questioned FTES

Total FTES questioned are 10.31. The District is currently over the funding cap by 2,258.16.

Effect

Without control systems over the automatic calculations of contact hours and FTES, the District has misreported FTES to the State Chancellor's Office. The District's internal calculating system did not block or limit the amount of actual hours once a student had achieved their maximum allowed.

Recommendation

We recommend the District review and revise the reporting controls over the automatic calculation of contact hours and FTES to ensure accurate reporting.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Management Response and Planned Corrective Action

The apportionment report for 2010-2011 recalculation has been revised to address the issue of over reported hours due to scheduling and positive attendance hours reporting.

Scheduling guidelines and tools have been established for census classes to standardize and ensure that classes are not under or over scheduled. Training sessions have been conducted throughout the District to follow the *Student Attendance Accounting Manual (SAAM)*.

Positive attendance is collected through multiple resources including a customized software and data entry through various entities throughout the District. A customized solution has been developed to ensure that all positive attendance hours that exceed the maximum hours will only be reported as the maximum hours allowed.

2011-5 Finding - Instructional Material Fees

Programs Affected: Instructional Material Fees
Fiscal Year: 2010-2011

Criteria or Specific Requirement

CCR, Title V, section 59402 defines "Required instructional and other materials" as "any instructional or other materials which a student must procure or possess as a condition of registration, enrollment or entry into a class; or any such material which is necessary to achieve those required objectives of a course which are to be accomplished under the supervision of an instructor during class hours."

The Student Fee Handbook provided by the California Community Colleges State Chancellor's Office states, "*Districts may only require students to provide instructional materials which are of a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or primarily controlled by the student, and the material must not be solely or exclusively available from the district. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials which are necessary for a student's vocation training and employment.*"

Condition

Material fees related to Administration of Justice and Fire Technology Instructional Services Agreements (ISAs) administered through the Ben Clark Training Center were charged to students that did not meet the criteria for fees as defined in the Student Fee Handbook noted above. In courses relating to Administration of Justice, fees included coordination, clerical, indirect costs, and other intangible material fees. In courses relating to Fire Technology, fees included administration costs and other fees that could not be identified. Subsequently, the District has terminated the ISA with the Riverside County Training Officers' Association which the courses for Fire Technology were offered through. The Riverside Community College District did not assess or collect these fees.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs

The fees noted above were assessed and collected by the ISA contractors, and the total fees collected have not been calculated.

Isolated Instance or Systemic

Isolated Instance - The Instructional Materials Fees that were inappropriately assessed and charged were limited to the Instructional Services Agreements noted above through the Ben Clark Training Centers.

Effect

Students enrolling in classes through the Instructional Services Agreements noted above have been overcharged Instructional Material Fees during the 2010-2011 academic year.

Recommendation

We recommend that the District review and monitor the Instructional Services Agreements to ensure that fees charged to students are allowed under both Title V and the State Chancellor's Office published Student Fee Handbook.

Management Response and Planned Corrective Action

Regarding the auditor's findings about the Fire Technology and Administration of Justice/Law Enforcement Training Programs, we agree with the findings of the audit.

We have already corrected the instructional material fee charges in the Fire Technology Programs. These issues were identified in early October 2010 and were related to a process where students enrolled in courses through the Riverside County Training Officers' Association (RCTOA). In November 2010, the District conducted an internal audit, which confirmed our concerns. Based upon the findings of the internal audit, we took the following actions:

- Cancelled the agreement with RCTOA.
- Developed and implemented an enrollment management plan at Moreno Valley College/the Ben Clark Training Center to enroll students in the courses in question and currently charge fees only allowable by the Student Fee Handbook, published by the Legal Affairs Division of the California Community Colleges Chancellor's Office.
- Posted on Moreno Valley College's website of the Fire Technology Program all allowable fees for each course offered in the Fire Technology Program.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

We have reviewed the instructional material fees for the Administration of Justice/Law Enforcement Training Program courses and agree with the auditor's finding that some fees assessed by the Riverside County Sheriff are not allowable and will be discontinued. However, some of the identified fees relate to issuing POST certificates (California Commission on Peace Officers Standards and Training) and STC certificates (California Standards and Training for Corrections), which may be allowable under Section 3.20 of the Student Fee Handbook (Fees for Providing Special Certificates).

The staff of the POST Program at Moreno Valley College/the Ben Clark Training Center will continue to enhance internal controls for all courses in which material fees are charged to ensure that those fees have continuing value to the student outside the classroom setting and/or are tangible personal property that is owned or primarily controlled by the student. Instructional material fees will be periodically reviewed to ensure compliance with CCR Title V Section 59402 and the Student Fee Handbook.

2011-6 Finding - CARE Advisory Committee Meeting

Programs Affected: CARE
Fiscal Year: 2010-2011

Criteria or Specific Requirement

Education Code Section 79150-79155
CARE Program Guidelines
Information System's Data Element Dictionary (data elements SE01-SE10)

Condition

Required CARE advisory committee meetings at each of the District's three College campuses were held only one time during the year. The CARE Program guidelines note the advisory committees are to meet at least twice during each academic year.

Questioned Costs

None.

Isolated Instance or Systemic

Systemic - The condition noted above was applicable to each of the three College campuses.

Effect

The advisory committees may not be able to properly mange and oversee the CARE Program and budget by not meeting as noted in the guidance.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

We recommend that the CARE Program directors ensure the advisory committee is in place and meets as required by the program guidance.

Management Response and Planned Corrective Action

Norco College

Fiscal year 2010-2011 marked the launch of Norco College's EOPS/CARE Programs. During the Fall semester, we began reaching out to campus and community partners to form members of the EOPS/CARE joint advisory committee. Once the committee members were identified, they were officially appointed by our College President and the inaugural meeting for the advisory committee was held on March 17, 2011. At this meeting, committee members were informed that we would meet at least twice during the academic year beginning in 2011-2012. Our first meeting for the 2011-2012 academic year was held on September 21, 2011, and our Spring meeting is scheduled for March 21, 2012.

Riverside City College

The Riverside City College EOPS/CARE Programs concur with the auditors finding and will host two advisory meetings during 2011-2012. One meeting will be in January to review the program's Fall semester and one in June to review the Spring semester. The Riverside City College EOPS Director will ensure that meetings are scheduled twice a year and announced on a timely basis.

Moreno Valley College

The Moreno Valley College was transitioning from a centralized District EOPS/CARE Program to a college based EOPS/CARE program during fiscal year 2010-2011. Due to this transition, including the hiring of full-time EOPS/CARE Program staff in late Spring 2011, Moreno Valley College was unable to hold the required number of mandatory advisory committee meetings during the year. Advisory committee meetings have been scheduled to occur at least once each semester during fiscal year 2011-2012.

2011-7 Finding - To Be Arranged (TBA) Hours

Programs Affected: To Be Arranged Hours
Fiscal Year: 2010-2011

Criteria or Specific Requirement

California Community Colleges State Chancellor's Office *Student Attendance Accounting Manual* requires the listing of classes conducted under the To Be Arranged hour type to be listed in the schedule of classes and described in the course outline. Additionally, the TBA hours for student participation are required to be tracked to ensure only actual hours of attendance are claimed for apportionment purposes.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Condition

It appears that classes noted in the schedule of classes as including hours subject to TBA requirements at the Moreno Valley College may not have segregated the lecture hours and the laboratory hours that were noted as TBA. This is related specifically to classes needing the Language Laboratory. We have been unable to determine if the additional lab hours were included within the lecture hours.

Questioned Costs

None. The District is over the funded FTES.

Isolated Instance or Systemic

Isolated Instance - This condition is noted specifically at the Moreno Valley College.

Effect

The District is at risk of misreporting the attendance hours and related FTES for classes with TBA components.

Recommendation

The College Academic Department should review the courses noted with TBA lab hours and determine if there is sufficient lab space to allow for the proper classification of the attendance methodology.

Management Response and Planned Corrective Action

The Moreno Valley College Educational Services Division will work with the affected instructors to make sure the information regarding the TBA/lab requirement in the class is clearly communicated to students. The information regarding the location of the room to be used for lab work, the hours of operation, and the requirement to attend the lab is already in the course syllabus, but it will be restated to eliminate any possible confusion.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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 Finding - 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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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 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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Current Status

Not implemented. See current year finding 2011-1.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

To the 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 year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. 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 February 21, 2011, 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.

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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 11 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. The following material misstatements, detected as a result of audit procedures, were corrected by management: accounts payable of $125,235 was recognized in the period when a liability was not incurred. Under the modified accrual basis, expenditures are recognized when a liability is incurred, regardless of when the receipt or payment of cash takes place.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2011.

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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2011, 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. 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

Load Banking Policies

As noted in our prior year comments, 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 continue to suggest the banked load time be limited to usage of time off.

Management Response

The District has provided a Draft Side Letter of Agreement to the California Teachers Association bargaining unit for review and approval. It is anticipated this draft will be approved and placed into effect prior to June 30, 2012.

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

Compensation for Personal Services

Payroll transactions related to Federal programs noted inconsistencies with the method for documenting the distribution of charges for personal services. In some cases, the after-the-fact confirmation method was used to document the distribution of charges for personal services and, in other cases, the plan-confirmation method was used to document the distribution of charges for personal services. Even though these methods are acceptable methods for payroll distribution, they each required unique compliance requirements. To ensure compliance within all programs, the District should evaluate each method and determine the methodology level to be used by the District. Programs using unapproved methods for documenting the distribution of charges for personal services could be found out of compliance with District policies.

Recommendation

The District should review the requirements of the OMB Circular A-21, *Cost Principles for Education Institutions*, and develop specific written procedures that will provide for an acceptable method for documenting the distribution of charges for personal services. There is no single best method for documenting the distribution of charges for personal services; however, the method must recognize the principle of after-the-fact confirmation or determination so the costs distributed represent actual costs. Since different methods required unique compliance requirements, the District should consider implementing one method to ensure all compliance requirements are met.

Management Response

In review of OMB Circular A-21 and Criteria for Acceptable Methods in this corrective action, the District acknowledges that it understands the problem and the need for consistency in documenting personnel costs system-wide. The District is working to resolve the issue for all OMB Circular A-133 compliant programs. Corrective action will be addressed through training, holding project directors and grant-funded staff accountable, and by comparing time and effort reports to District financial records.

The District will work with the colleges to implement review processes that will lead to comparing time and effort reporting to financial records. The Grants Office and Administration and Finance and District Budget Office will provide technical assistance related to grant implementation and personnel matters.

PRIOR 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.

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

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 has been implemented.

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.

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 2011-2012 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2011