Agenda Item (VIII-D-2)

Meeting	12/9/2014 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2013-2014 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, 2014 for the permanent file of the District.

Background Narrative:

In accordance with Education Code Section 84040(b), an independent audit of the District's 2013-2014 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 auditors have issued an unmodified opinion for the financial audit as of June 30, 2014 and 2013.

- Audit Findings – There were no findings or questioned costs.

- Auditor's Required Communication - In accordance with the 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. Attached for your information is the required communication.

- Management Recommendation - A Management Recommendation Letter for fiscal year 2013-2014 is attached.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Bill Bogle, Controller

Attachments:

12092014_2013-2014 Independent Audit Report, SAS Letter and Management Letter

RIVERSIDE COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014 AND 2013

RIVERSIDE COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2014 AND 2013

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Riverside Community College District
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Riverside Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014 and 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in the Note 17 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 57 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 24, 2014

RCCD | RIVERSIDE COMMUNITY COLLEGE DISTRICT

MORENO VALLEY COLLEGE | NORCO COLLEGE | RIVERSIDE CITY COLLEGE

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Riverside Community College District (the District) as of June 30, 2014. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; 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, 2014. 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 Position 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 Position 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 2013-2014 fiscal year, total reported resident FTES were 26,400 as compared to 25,119 in the 2012-2013 fiscal year. Total unfunded credit FTES was 547 for fiscal year 2013-2014 and 0 for fiscal year 2012-2013.

- Several construction and modernization projects at the District's three colleges resulted in completed buildings, building improvements, and improvements to sites totaling $26,004,576 in the 2013-2014 fiscal year. The projects, listed below, are primarily funded through the District's voter approved General Obligation Bond, Measure C, but also through State Construction Act funds in the case of the Moreno Valley College Student /Academic Services Building.

  Science Laboratories Remodel Project – Moreno Valley
  Student /Academic Services Building – Moreno Valley
  Lovekin Parking/Tennis Project – Riverside

1533 Spruce Street
Riverside, CA 92507
(951) 222-8000
www.rccd.edu

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

- Employee salaries increased by 6.13 percent or $6.3 million from the 2012-2013 fiscal year and employee benefits increased by 0.05 percent or $0.02 million. The increase in salaries is primarily due to a COLA increase of 1.57 percent for full-time and permanent part-time employees, scheduled salary step increases, employee reclassifications, and an increase in the number of positions after years of a District-wide hiring freeze, layoffs, and a supplementary retirement plan (SRP) offer enacted in fiscal year 2011-2012. The increase in benefit costs is primarily due to a decrease of 87.5 percent, or $1.1 million, in the State Unemployment Insurance rate and in addition to an increase in health and welfare benefits and other fixed charges associated with the increased number of positions discussed above.

- During the 2013-2014 fiscal year, the District provided over $71.2 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)	$ 41,930,429
Federal Supplement Education Opportunity Grant (FSEOG)	924,263
Federal Direct Student Loans (Direct Loans)	3,983,762
Federal Work Study Program (FWS)	965,407
State of California Cal Grant B (CALG-B)	1,919,196
California Community College Board of Governor's Fee Wavier	21,456,127
Total Financial Aid Provided to Students	$ 71,179,184

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

THE DISTRICT AS A WHOLE

Net Position

Table 1

(Amounts in thousands)

	2014	2013*	Change	2012*	Change
ASSETS					
Current Assets					
Cash and investments	$ 82,318	$ 96,506	$ (14,188)	$ 110,626	$ (28,308)
Accounts receivable (net)	26,692	44,588	(17,896)	48,244	(21,552)
Other current assets	141	225	(84)	166	(25)
Total Current Assets	109,151	141,319	(32,168)	159,036	(49,885)
Capital assets (net)	382,755	369,636	13,119	352,225	30,530
Total Assets	491,906	510,955	(19,049)	511,261	(19,355)
DEFERRED OUTFLOWS OF RESERVES					
Deferred charge on refunding	8,122	1,687	6,435	2,028	6,094
Total Assets and Deferred Outflows	$ 500,028	$ 512,642	$ (12,614)	$ 513,289	$ (13,261)
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 25,346	$ 43,548	$ (18,202)	$ 35,100	$ (9,754)
Current portion of long-term obligations	7,217	5,592	1,625	8,592	(1,375)
Total Current Liabilities	32,563	49,140	(16,577)	43,692	(11,129)
Long-Term Obligations	254,667	251,067	3,600	252,873	1,794
Total Liabilities	287,230	300,207	(12,977)	296,565	(9,335)
NET POSITION					
Net investment in capital assets	188,515	187,109	1,406	194,627	(6,112)
Restricted	19,208	22,017	(2,809)	21,943	(2,735)
Unrestricted	5,075	3,309	1,766	154	4,921
Total Net Position	212,798	212,435	363	216,724	(3,926)
Total Liabilities and Net Position	$ 500,028	$ 512,642	$ (12,614)	$ 513,289	$ (13,261)

* As restated.

The District's components of assets, liabilities, and net position are noted on page 14.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

Operating Results for the Year

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

Table 2

(Amounts in thousands)

	2014	2013	Change	2012	Change
Operating Revenues					
Tuition and fees (net)	$ 16,537	$ 15,255	$ 1,282	$ 13,820	$ 2,717
Other operating revenues	23	-	23	3	20
Total Operating Revenues	16,560	15,255	1,305	13,823	2,737
Operating Expenses					
Salaries and benefits	140,732	134,462	6,270	137,923	2,809
Supplies and maintenance	33,420	33,531	(111)	41,668	(8,248)
Student financial aid	50,666	46,767	3,899	45,575	5,091
Depreciation	15,834	18,593	(2,759)	11,833	4,001
Total Operating Expenses	240,652	233,353	7,299	236,999	3,653
Loss on Operations	(224,092)	(218,098)	(5,994)	(223,176)	(916)
Nonoperating Revenues					
State apportionments	93,568	84,732	8,836	88,517	5,051
Property taxes	39,202	37,187	2,015	36,803	2,399
State revenues	8,581	8,905	(324)	7,946	635
Federal and State grants and contracts	75,433	69,029	6,404	67,186	8,247
Net investment income	335	949	(614)	1,331	(996)
Net interest expense	(9,590)	(13,636)	4,046	(15,265)	5,675
Other nonoperating revenues	13,052	17,499	(4,447)	9,042	4,010
Loss on disposal of assets	(2)	(584)	582	(10)	8
Total Nonoperating Revenue	220,579	204,081	16,498	195,550	25,029
Other Revenues					
State capital income	3,876	9,729	(5,853)	12,941	(9,065)
Net Increase (Decrease) in Net Position	$ 363	$ (4,288)	$ 4,651	$ (14,685)	$ 15,048

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment, which increased in fiscal year 2013-2014. Property taxes levied and received from property within the District's boundaries increased slightly during the year.

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.

During 2013-2014, the District's interest income was $0.3 million and interest expense was $9.6 million. Interest income is primarily derived from cash held in the Riverside County Treasury. Interest income has decreased approximately $0.6 million from the 2012-2013 fiscal year due to significantly lower interest rates and the State's apportionment deferral strategy passed along to community colleges. A decrease of $4.0 million in interest expense for the year is the result of lower General Obligation Bond principal and slightly lower interest rates on that principal.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

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, 2014:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 67,128	$ 2,405	$ -	$ -	$ 69,533
Academic support	35,438	9,472	-	-	44,910
Student services	17,790	1,773	-	-	19,563
Plant operations and maintenance	6,458	3,020	-	-	9,478
Instructional support services	5,156	677	-	-	5,833
Community services and economic development	1,247	249	-	-	1,496
Ancillary services and auxiliary operations	7,057	1,867	-	-	8,924
Student aid	-	-	50,666	-	50,666
Physical property and related acquisitions	458	13,957	-	-	14,415
Unallocated depreciation	-	-	-	15,834	15,834
Total	$ 140,732	$ 33,420	$ 50,666	$ 15,834	$ 240,652

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

Year ended June 30, 2013:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 64,743	$ 3,473	$ -	$ -	$ 68,216
Academic support	33,066	16,738	-	-	49,804
Student services	17,097	3,324	-	-	20,421
Plant operations and maintenance	6,594	5,764	-	-	12,358
Instructional support services	5,069	756	-	-	5,825
Community services and economic development	1,177	461	-	-	1,638
Ancillary services and auxiliary operations	6,140	2,999	-	-	9,139
Student aid	-	-	46,767	-	46,767
Physical property and related acquisitions	576	16	-	-	592
Unallocated depreciation	-	-	-	18,593	18,593
Total	$ 134,462	$ 33,531	$ 46,767	$ 18,593	$ 233,353

Changes in Cash Position

Table 4

(Amounts in thousands)

	2014	2013	Change	2012	Change
Cash Provided by (Used in)					
Operating activities	$ (225,846)	$ (191,018)	$ (34,828)	$ (211,183)	$ (14,663)
Noncapital financing activities	234,881	207,545	27,336	201,311	33,570
Capital financing activities	(23,539)	(31,613)	8,074	(42,709)	19,170
Investing activities	316	966	(650)	1,431	(1,115)
Net Increase (Decrease) in Cash	(14,188)	(14,120)	(68)	(51,150)	36,962
Cash, Beginning of Year	96,506	110,626	(14,120)	161,776	(65,270)
Cash, End of Year	$ 82,318	$ 96,506	$ (14,188)	$ 110,626	$ (28,308)

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

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
JUNE 30, 2014 AND 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had $504.4 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2014, the District's net capital assets were $382.8 million. Major capital improvement projects are ongoing throughout the District. These projects are primarily funded through State Construction Act revenues and District General Obligation Bonds. Projects are accounted for within the 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	$ 66,591	$ 25,210	$ (25,396)	$ 66,405
Buildings and land improvements	372,437	26,005	-	398,442
Equipment and vehicles	36,398	3,136	(8)	39,526
Subtotal	475,426	54,351	(25,404)	504,373
Accumulated depreciation	(105,790)	(15,835)	7	(121,618)
	$ 369,636	$ 38,516	$ (25,397)	$ 382,755

We present more detailed information about our capital assets in Note 5 to the financial statements.

Obligations

At the end of the 2013-2014 fiscal year, the District had $248.6 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 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
JUNE 30, 2014 AND 2013

Table 6

(Amounts in thousands)

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year
General obligation bonds	$ 243,735	$ 79,257	$ (74,351)	$ 248,641
Other liabilities	12,924	3,149	(2,830)	13,243
Total Long-Term Obligations	$ 256,659	$ 82,406	$ (77,181)	$ 261,884
Amount due within one year				$ 7,217

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 2013-2014 fiscal year on June 17, 2014.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenues by $5.1 million. The actual results for the year showed revenues exceeded expenditures by $.8 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 65.67 percent. The District reported an increase of 1,281 FTES during fiscal year 2013-2014 which resulted from an increase of course offerings. The District's fiscal year 2014-2015 adopted budget anticipates revenue increases of $8.24 million, expenditure increases of $5.96 million, and a Board-approved contingency reduction from 5 percent to 4.28 percent in recognition of an anticipated budget shortfall of $1.16 million. The District continues to manage enrollment and operating costs to ensure ongoing financial stability and to achieve 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 1533 Spruce Street, Riverside, California 92507.

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,253,867	$ 872,926
Investments - unrestricted	10,842,443	12,424,343
Investments - restricted	69,221,484	83,208,895
Accounts receivable	26,137,226	44,143,201
Student accounts receivable, net	555,101	445,158
Due from fiduciary funds	24,608	94,410
Prepaid expenses	87,980	102,801
Inventories	28,744	27,367
Total Current Assets	109,151,453	141,319,101
Noncurrent Assets		
Nondepreciable capital assets	66,405,254	66,590,738
Depreciable capital assets, net of depreciation	316,349,664	303,045,236
Total Noncurrent Assets	382,754,918	369,635,974
TOTAL ASSETS	491,906,371	510,955,075
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	8,121,806	1,686,893
LIABILITIES		
Current Liabilities		
Accounts payable	8,859,037	10,270,030
Short-term borrowing	4,970,000	19,805,000
Accrued interest payable	3,927,372	5,412,174
Due to fiduciary funds	77,352	57,584
Unearned revenue	5,012,147	4,802,660
Claims liability	2,500,000	3,200,000
Compensated absences payable - current portion	1,246,628	1,299,513
Bonds payable - current portion	4,635,000	2,960,000
Lease obligations - current portion	50,755	47,578
Other long-term obligations - current portion	1,284,856	1,284,856
Total Current Liabilities	32,563,147	49,139,395
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,203,543	1,249,300
Bonds payable - noncurrent portion	230,468,164	231,327,828
Bond premium	13,537,657	9,447,467
Lease obligations - noncurrent portion	67,792	118,548
Other long-term obligations - noncurrent portion	9,389,795	8,924,218
Total Noncurrent Liabilities	254,666,951	251,067,361
TOTAL LIABILITIES	287,230,098	300,206,756
NET POSITION		
Net investment in capital assets	188,515,239	187,108,729
Restricted for:		
Debt service	7,639,470	5,811,860
Capital projects	980,406	6,716,128
Educational programs	10,588,312	9,489,127
Unrestricted	5,074,652	3,309,368
TOTAL NET POSITION	$ 212,798,079	$ 212,435,212

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Student Tuition and Fees	$ 37,992,745	$ 34,447,543
Less: Scholarship discount and allowance	(21,456,127)	(19,192,627)
Net tuition and fees	16,536,618	15,254,916
Other Operating Revenues	23,090	296
TOTAL OPERATING REVENUES	16,559,708	15,255,212
OPERATING EXPENSES		
Salaries	108,269,614	102,014,682
Employee benefits	32,462,402	32,447,122
Supplies, materials, and other operating expenses and services	30,019,823	32,151,415
Student financial aid	50,666,043	46,767,408
Equipment, maintenance, and repairs	3,399,899	1,380,028
Depreciation	15,834,281	18,592,580
TOTAL OPERATING EXPENSES	240,652,062	233,353,235
OPERATING LOSS	(224,092,354)	(218,098,023)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	93,567,956	84,731,624
Federal grants	61,721,576	58,614,887
State grants	13,710,929	10,414,479
Local property taxes levied for general purposes	25,395,020	24,675,519
Local property taxes levied for capital debt	13,806,538	12,511,382
State taxes and other revenues	8,580,722	8,905,275
Investment income	314,781	923,765
Interest expense on capital related debt	(9,590,099)	(13,636,466)
Investment income on capital related debt, net	20,585	25,705
Loss on disposal of capital assets	(1,539)	(584,330)
Other nonoperating revenue	13,052,773	17,499,146
TOTAL NONOPERATING REVENUES (EXPENSES)	220,579,242	204,080,986
LOSS BEFORE OTHER REVENUES	(3,513,112)	(14,017,037)
OTHER REVENUES		
State revenues, capital	3,875,979	9,728,785
CHANGE IN NET POSITION	362,867	(4,288,252)
NET POSITION, BEGINNING OF YEAR	212,435,212	218,945,064
PRIOR PERIOD RESTATEMENT (see Note 17)	-	(2,221,600)
NET POSITION, END OF YEAR	$ 212,798,079	$ 212,435,212

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 16,058,036	$ 15,076,347
Short-term borrowings	(14,835,000)	10,845,000
Payments to vendors for supplies and services	(36,183,656)	(36,093,864)
Payments to or on behalf of employees	(140,241,903)	(134,078,075)
Payments to students for Federal direct student aid	(47,704,086)	(44,272,080)
Payments to students for State direct student aid	(2,387,034)	(1,919,196)
Payments to students for Local direct student aid	(574,923)	(576,132)
Other operating receipts	23,090	296
Net Cash Flows From Operating Activities	(225,845,476)	(191,017,704)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	105,614,965	88,194,864
Federal grants and contracts	61,698,978	60,563,696
State grants and contracts	13,066,274	10,826,447
Property taxes - non-debt related	25,527,418	24,735,651
State taxes and other apportionments	15,411,645	2,387,405
Other nonoperating	13,561,596	20,836,563
Net Cash Flows From Noncapital Financing Activities	234,880,876	207,544,626
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(30,075,469)	(38,584,131)
Proceeds from sale of general obligation bonds	77,966,704	-
Proceeds from issuance of capital leases	-	68,256
State revenue, capital projects	3,875,979	9,728,785
Property taxes - related to capital debt	13,806,538	12,511,382
Principal paid on capital debt	(74,399,093)	(3,466,152)
Interest paid on capital debt	(9,590,099)	(13,636,466)
Interest received on capital related debt	20,585	25,705
Accreted interest on general obligation bonds	1,290,336	1,398,632
Deferred charges on refunding	(6,434,913)	341,006
Net Cash Flows From Capital Financing Activities	(23,539,432)	(31,612,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	315,662	965,930
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,188,370)	(14,120,131)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	96,506,164	110,626,295
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 82,317,794	$ 96,506,164

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, 2014 AND 2013

	2014	2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (224,092,354)	$ (218,098,023)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation	15,834,281	18,592,580
Changes in Operating Assets and Liabilities:		
Student receivables, net	(109,943)	(114,072)
Inventories	(1,375)	2,424
Prepaid expenses	14,821	4,760
Accounts payable and other accrued liabilities	(3,729,249)	(2,275,028)
Unearned revenue	706,408	(309,168)
Compensated absences	(148,474)	(44,424)
Supplementary Retirement Plan (SRP)	(1,284,857)	(1,284,856)
Other postemployment benefits (OPEB)	1,800,266	1,663,103
Short-term borrowings	(14,835,000)	10,845,000
Total Adjustments	(1,753,122)	27,080,319
Net Cash Flows From Operating Activities	$ (225,845,476)	$ (191,017,704)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 2,253,867	$ 872,926
Unrestricted cash in county treasury	10,842,443	12,424,343
Restricted cash in county treasury	69,221,484	83,208,895
Total Cash and Cash Equivalents	$ 82,317,794	$ 96,506,164
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 3,355,343	$ 3,301,204
Loss on disposal of capital assets	1,539	584,330
	$ 3,356,882	$ 3,885,534

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

	2014 Trust	2013 Trust
ASSETS		
Cash and cash equivalents	$ 2,002,580	$ 2,041,953
Accounts receivable, net	869	13,137
Due from primary government	77,352	57,584
Total Assets	2,080,801	2,112,674
LIABILITIES		
Accounts payable	52,573	97,560
Due to primary government	24,608	94,410
Due to student groups	996,228	1,114,982
Total Liabilities	1,073,409	1,306,952
NET POSITION		
Unreserved	1,007,392	805,722
Total Net Position	$ 1,007,392	$ 805,722

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014 Trust	2013 Trust
ADDITIONS		
Local revenues	$ 947,187	$ 594,712
DEDUCTIONS		
Books and supplies	494,197	388,447
Services and operating expenditures	251,320	335,812
Capital outlay	-	3,991
Total Deductions	745,517	728,250
OTHER FINANCING SOURCES		
Other sources	-	90,646
Change in Net Position	201,670	(42,892)
Net Position - Beginning	805,722	848,614
Net Position - Ending	$ 1,007,392	$ 805,722

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, 2014 AND 2013

NOTE 1 - ORGANIZATION

The Riverside Community College District (the District) was established in 1916 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected 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. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. 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 unit:

- **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. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2014, is as follows:

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Condensed Statement of Net Position

ASSETS	
Cash and cash equivalents	$ 16,228
NET POSITION	
Restricted for:	
Capital projects	$ 16,228

Condensed Statement of Revenues, Expenses, and Changes in Net Position

NONOPERATING REVENUES	
Investment income	$ 8
CHANGE IN NET POSITION	8
NET POSITION, BEGINNING OF YEAR	16,220
NET POSITION, END OF YEAR	$ 16,228

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 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 Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2014 and 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Position 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.

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 $138,775 and $111,289 for the years ended June 30, 2014 and 2013, 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 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

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

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.

Unearned Revenue

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 Position

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

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

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

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is 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 $19,208,188 of restricted net position.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with 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*.

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 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2012, by $2,221,600. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. 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, 2014 AND 2013

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

	Primary Government
Cash on hand and in banks	$ 2,203,867
Cash in revolving	50,000
Investments	80,063,927
Total Deposits and Investments	$ 82,317,794

	Fiduciary Funds
Cash on hand and in banks	$ 2,002,580

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

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
Riverside County Investment Pool	$ 80,021,494	1.37*

*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 investment in the County pool is not required to be rated. The District's investments in the Riverside County Investment Pool are rated AAA/V1 by Fitch Ratings Ltd. as of June 30, 2014.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014, the District and fiduciary funds had bank balances of $1,690,442 and $2,106,471, respectively, totaling $3,796,913 of which $2,792,095 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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	
	2014	2013
Federal Government		
Categorical aid	$ 3,083,901	$ 2,913,569
State Government		
Apportionment	16,587,709	27,360,791
Categorical aid	1,522,886	2,777,988
Other State sources	1,929,836	7,505,657
Local Sources		
Interest	65,560	66,441
Property taxes	962,325	1,094,723
Riverside Community College District Foundation	97,137	69,799
Contributions from Foundation for Aquatics Complex	53,968	37,826
Other local sources	1,833,904	2,316,407
Total	$ 26,137,226	$ 44,143,201
Student receivables	$ 693,876	$ 556,447
Less allowance for bad debt	(138,775)	(111,289)
Student receivables, net	$ 555,101	$ 445,158
Total Receivables, Net	$ 26,692,327	$ 44,588,359

	Fiduciary Funds	
	2014	2013
Other local	$ 869	$ 13,137

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, 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	34,088,041	25,210,322	25,395,806	33,902,557
Total Capital Assets Not Being Depreciated	66,590,738	25,210,322	25,395,806	66,405,254
Capital Assets Being Depreciated				
Land improvements	12,656,518	57,249	-	12,713,767
Buildings and improvements	359,780,506	25,947,327	-	385,727,833
Furniture and equipment	36,398,279	3,135,672	8,211	39,525,740
Total Capital Assets Being Depreciated	408,835,303	29,140,248	8,211	437,967,340
Total Capital Assets	475,426,041	54,350,570	25,404,017	504,372,594
Less Accumulated Depreciation				
Land improvements	7,923,682	802,427	-	8,726,109
Buildings and improvements	67,261,660	12,005,383	-	79,267,043
Furniture and equipment	30,604,725	3,026,471	6,672	33,624,524
Total Accumulated Depreciation	105,790,067	15,834,281	6,672	121,617,676
Net Capital Assets	$ 369,635,974	$ 38,516,289	$ 25,397,345	$ 382,754,918

Depreciation expense for the year was $15,834,281.

Interest expense on capital related debt for the year ended June 30, 2014, was $13,122,608. Of this amount, $3,532,509 was capitalized.

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, 2014, the District has not recorded a value for the collection in the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Beginning of Year as Restated	Additions	Deductions	Balance Beginning of Year
Capital Assets Not Being Depreciated				
Land	$ 32,502,697	$ -	$ -	$ 32,502,697
Construction in progress	26,923,873	32,725,936	25,561,768	34,088,041
Total Capital Assets Not Being Depreciated	59,426,570	32,725,936	25,561,768	66,590,738
Capital Assets Being Depreciated				
Land improvements	12,419,190	237,328	-	12,656,518
Buildings and improvements	334,894,638	27,239,207	2,353,339	359,780,506
Furniture and equipment	34,808,902	1,947,924	358,547	36,398,279
Total Capital Assets Being Depreciated	382,122,730	29,424,459	2,711,886	408,835,303
Total Capital Assets	441,549,300	62,150,395	28,273,654	475,426,041
Less Accumulated Depreciation				
Land improvements	6,270,961	1,652,721	-	7,923,682
Buildings and improvements	55,259,053	13,885,278	1,882,671	67,261,660
Furniture and equipment	27,795,029	3,054,581	244,885	30,604,725
Total Accumulated Depreciation	89,325,043	18,592,580	2,127,556	105,790,067
Net Capital Assets	$ 352,224,257	$ 43,557,815	$ 26,146,098	$ 369,635,974

Depreciation expense for the year was $18,592,580.

Interest expense on capital related debt for the year ended June 30, 2013, was $13,784,557. Of this amount, $1,375,826 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2014	2013
Accrued payroll and benefits	$ 927,158	$ 803,980
Apportionment	2,740,824	1,466,897
Student financial aid grants	335,444	1,636,868
State categorical programs	95,556	99,031
Construction payables	2,521,633	3,642,338
Vendor payables	2,238,422	2,620,916
Total	$ 8,859,037	$ 10,270,030

	Fiduciary Funds	
	2014	2013
Vendor payables	$ 52,573	$ 97,560

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	
	2014	2013
Federal financial assistance	$ 148,797	$ 1,063
State categorical aid	1,248,167	1,548,578
Other State aid	863,656	262,516
Enrollment fees	1,329,140	1,741,830
Theater subscriptions	75,573	27,076
Health and liability self-insurance	1,115,953	1,050,581
Summer community education fees	13,465	17,911
Other local	217,396	153,105
Total	$ 5,012,147	$ 4,802,660

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES

At June 30, 2013, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $19,805,000 bearing interest of two 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 2013 until 100 percent of the total principal and interest is due at maturity on October 31, 2013. The total outstanding Tax and Revenue Anticipation Notes of $19,805,000 was paid in full to the fiscal agent on July 31, 2013.

At June 30, 2014, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $4,970,000 bearing interest of two 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 2014 until 100 percent of the total principal and interest is due at maturity on October 1, 2014. The total outstanding Tax and Revenue Anticipation Notes of $4,970,000 was paid in full to the fiscal agent on July 31, 2014. As of June 30, 2014, the Tax and Revenue Anticipation Notes of $4,970,000, and the related accrued interest and cash held in trust, are included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2012-2013 2.00% TRANS, Series T	$ 19,805,000	$ -	$ 19,805,000	$ -
2013-2014 2.00% TRANS, Series A	-	4,970,000	-	4,970,000
Total	$ 19,805,000	$ 4,970,000	$ 19,805,000	$ 4,970,000

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014, the amounts owed between the primary government and the fiduciary funds were $24,608 and $77,352, 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. During the 2014 fiscal year, there were no transfers made between the primary government and the fiduciary funds.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year as Restated	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds, Series A	$ 2,355,000	$ -	$ 1,355,000	$ 1,000,000	$ 1,000,000
General obligation bonds, Refunding Bond 2005	52,140,578	633,427	48,130,000	4,644,005	2,315,000
Unamortized debt premium	6,111,264	-	552,278	5,558,986	-
General obligation bonds, Series 2007 C	68,510,000	-	24,080,000	44,430,000	-
Unamortized debt premium	1,760,604	-	176,060	1,584,544	-
General obligation bonds, Series 2010 D/D-1	111,282,250	656,909	-	111,939,159	-
Unamortized debt premium	1,575,599	-	58,176	1,517,423	-
General obligation bonds, Refunding Bonds 2014, Series A and B	-	73,090,000	-	73,090,000	1,320,000
Unamortized debt premium	-	4,876,704	-	4,876,704	-
Total Bonds Payable	243,735,295	79,257,040	74,351,514	248,640,821	4,635,000
Other Liabilities					
Compensated absences	2,548,813	-	98,642	2,450,171	1,246,628
Capital leases	166,126	-	47,579	118,547	50,755
Supplementary Retirement Plan (SRP)	3,415,773	-	1,284,857	2,130,916	1,284,856
Load banking	748,669	189,040	238,872	698,837	-
Other postemployment benefits (OPEB)	6,044,632	2,960,168	1,159,902	7,844,898	-
Total Other Liabilities	12,924,013	3,149,208	2,829,852	13,243,369	2,582,239
Total Long-Term Obligations	$ 256,659,308	$ 82,406,248	$ 77,181,366	$ 261,884,190	$ 7,217,239

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	*GASB Statement No. 65 Restatement	Additions	Deductions	Balance End of Year As Resated	Due in One Year
Bonds Payable						
General obligation bonds, Series A	$ 2,975,000	$ -	$ -	$ 620,000	$ 2,355,000	$ 795,000
General obligation bonds,						
Refunding Bond 2005	53,362,166	-	793,412	2,015,000	52,140,578	2,165,000
Unamortized debt premium	4,054,425	2,609,117	-	552,278	6,111,264	-
General obligation bonds, Series 2007 C	68,510,000	-	-	-	68,510,000	-
Unamortized debt premium	1,936,666	-	-	176,062	1,760,604	-
General obligation bonds, Series 2010 D/D-1	110,677,030	-	605,220	-	111,282,250	-
Unamortized debt premium	1,633,775	-	-	58,176	1,575,599	-
Total Bonds Payable	243,149,062	2,609,117	1,398,632	3,421,516	243,735,295	2,960,000
Other Liabilities						
Compensated absences	2,589,152	-	-	40,339	2,548,813	1,299,513
Capital leases	142,506	-	68,256	44,636	166,126	47,578
Supplementary Retirement Plan (SRP)	4,700,629	-	223,833	1,508,689	3,415,773	1,284,856
Load banking	752,754	-	241,854	245,939	748,669	-
Other postemployment benefits (OPEB)	4,381,529	-	2,872,832	1,209,729	6,044,632	-
Total Other Liabilities	12,566,570	-	3,406,775	3,049,332	12,924,013	2,631,947
Total Long-Term Obligations	$ 255,715,632	$ 2,609,117	$ 4,805,407	$ 6,470,848	$ 256,659,308	$ 5,591,947

*As restated, see Note 17 for more information.

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, 2014, the principal outstanding was $1,000,000.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2016. 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, 2014, the principal outstanding was $4,644,005 and unamortized premium was $5,558,986.

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.

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, 2014, the principal outstanding was $44,430,000 and unamortized premium cost of $1,584,544. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014, the principal balance outstanding was $111,939,159 and unamortized premium cost of $1,517,423. Premium 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.

2014 General Obligation Refunding Bonds

During May 2014, the District issued the $73,090,000 2014 General Obligation Refunding Bonds, Series A and Series B (federally taxable) in the amounts of $29,130,000 and $43,960,000, respectively. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of $4,105,270 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 5.81 percent.

Series A tax-exempt bonds have a final maturity to occur on August 1, 2027, with interest rates from 2.00 to 5.00 percent. The net proceeds of $34,006,704 (representing the principal amount of $29,130,000 plus premium on issuance of $4,876,704) from the issuance were used to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2004A, advance refund a portion of the District's 2005 General Obligation Refunding Bonds, advance refund a portion of the 2004 General Obligation Bonds, Series 2007C, and pay the costs associated with the issuance of the refunding bonds. At June 30, 2014, the principal balance outstanding was $29,130,000. Unamortized premium received on issuance of the bonds amounted to $4,876,704 as of June 30, 2014.

Series B federally taxable bonds have a final maturity to occur on August 1, 2024, with interest rates from 0.40 to 3.61 percent. The proceeds of $43,960,000 from issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds, and pay the costs associated with the issuance of the federally taxable bonds. At June 30, 2014, the principle balance outstanding was $43,960,000.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2014
2004	2015	4.00%-5.25%	$ 55,205,000	$ 2,355,000	$ -	$ -	$ 1,355,000	$ 1,000,000
2005	2016	3.00%-5.00%	58,386,109	52,140,578	-	633,427	48,130,000	4,644,005
2007	2033	3.62%-4.47%	90,000,000	68,510,000	-	-	24,080,000	44,430,000
2010	2041	2.36%-5.53%	109,999,278	111,282,250	-	656,909	-	111,939,159
2014	2028	0.40%-5.00%	73,090,000	-	73,090,000	-	-	73,090,000
				$ 234,287,828	$ 73,090,000	$ 1,290,336	$ 73,565,000	$ 235,103,164

The General Obligation Bonds, Series A mature through 2015 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ 1,000,000	$ 20,000	$ 1,020,000

The General Obligation Bonds, 2005 Refunding Bonds mature through 2016 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2015	$ 2,183,947	$ 131,053	$ 2,315,000
2016	2,460,058	469,942	2,930,000
Total	$ 4,644,005	$ 600,995	$ 5,245,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ -	$ 2,221,500	$ 2,221,500
2016	-	2,221,500	2,221,500
2017	-	2,221,500	2,221,500
2018	-	2,221,500	2,221,500
2019	-	2,221,500	2,221,500
2020-2024	-	11,107,500	11,107,500
2025-2029	9,520,000	10,869,500	20,389,500
2030-2033	34,910,000	2,813,250	37,723,250
Total	$ 44,430,000	$ 35,897,750	$ 80,327,750

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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
2015	$ -	$ -	$ 7,164,193	$ 7,164,193
2016	314,854	60,146	7,322,979	7,697,979
2017	425,932	144,068	7,441,698	8,011,698
2018	508,762	256,238	7,579,817	8,344,817
2019	574,133	395,867	7,739,927	8,709,927
2020-2024	4,845,941	2,999,059	39,715,493	47,560,493
2025-2029	2,969,537	2,425,463	38,719,509	44,114,509
2030-2034	16,840,000	-	34,611,845	51,451,845
2035-2039	56,080,000	-	20,784,019	76,864,019
2040-2041	29,380,000	-	2,101,737	31,481,737
Total	$ 111,939,159	$ 6,280,841	$ 173,181,217	$ 291,401,217

The General Obligation Bonds, 2014 Refunding Bonds, Series A and B mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ 1,320,000	$ 1,722,425	$ 3,042,425
2016	615,000	2,557,027	3,172,027
2017	3,780,000	2,533,067	6,313,067
2018	4,085,000	2,478,070	6,563,070
2019	4,400,000	2,396,286	6,796,286
2020-2024	28,385,000	9,689,788	38,074,788
2025-2028	30,505,000	3,087,784	33,592,784
Total	$ 73,090,000	$ 24,464,447	$ 97,554,447

Capital Leases

The District has utilized capital leases purchase agreements to primarily purchase equipment. The current lease purchase agreement in the amount of $118,547 will be paid through 2017.

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

Year Ending June 30,	Lease Payment
2015	$ 57,940
2016	54,612
2017	18,003
Total	130,555
Less: Amount Representing Interest	12,008
Present Value of Minimum Lease Payments	$ 118,547

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Equipment	$ 226,424
Less: Accumulated depreciation	(214,719)
Total	$ 11,705

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, 2014, the outstanding balance was $2,130,916. See Note 14 for additional information regarding the SRP obligation.

Fiscal Year	SRP Payment
2015	$ 1,284,856
2016	846,060
Total	$ 2,130,916

Compensated Absences

Compensated absence obligations for the District at June 30, 2014, amounted to $2,450,171 of which $1,246,628 is considered current.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was $3,041,672, and contributions made by the District during the year were $1,159,902. Interest on the net OPEB obligation and adjustments to the annual required contribution were $302,232 and $(383,736), respectively, which resulted in an increase to the net OPEB obligation of $1,800,266. As of June 30, 2014, the net OPEB obligation was $7,844,898. 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, 2014, amounted to $698,837.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 one dependent. Membership of the Plan consists of 79 retirees and beneficiaries currently receiving benefits and 905 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. For fiscal year 2013-2014, the District contributed $1,159,902 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 3,041,672
Interest on net OPEB obligation	302,232
Adjustment to annual required contribution	(383,736)
Annual OPEB cost (expense)	2,960,168
Contributions made	(1,159,902)
Increase in net OPEB obligation	1,800,266
Net OPEB obligation, beginning of year	6,044,632
Net OPEB obligation, end of year	$ 7,844,898

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
2012	$ 2,242,316	$ 1,199,115	53%	$ 4,381,529
2013	2,872,832	1,209,729	42%	6,044,632
2014	2,960,168	1,159,902	39%	7,844,898

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Funding Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 24,161,707
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 24,161,707
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, 2013, 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 Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2013, 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 rate of eight percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2014, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2014, 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 $25,000,000 for liability and tort risks. This coverage is subject to a $250,000 self-insured retention. The District carries replacement coverage on its buildings and furniture and equipment with limits of $600,000,000 (total pool value) and exposures of $332,514,000 with a $100,000 self-insurance retention. A property and equipment audit performed by the Joint Powers Authority is used to identify the aforementioned exposures. However, claims against the property coverage would use current replacement value to respond to a covered event. Employee health benefits are covered by the employees enrolling in either one of two health maintenance organizations or in the District's self-insured health plan. The District's self-insured limit for the self-insured plan is $100,000, and it purchases insurance coverage for the excess claims. The District purchases coverage for the dental benefits from a joint powers authority.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2014, the District contracted with the Southern California Schools Risk Management (SCSRM) 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. The District incurred a catastrophic property damage loss in August 2013 with an estimated exposure to SCSRM of $2.5 million. The District was exposed to its $100,000 self-insured retention and the retention was satisfied in November 2013.

Workers' Compensation

For fiscal year 2013-2014, 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 $500,000 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
Self-Insured Certificate #7582 (California)	Workers' Compensation	$ 500,000
Schools Excess Liability Fund (SELF)	Excess Worker's Compensation	$ 2,000,000
Southern California Schools Risk Management (SCSRM)	General Liability	$ 500,000
Genesis Insurance Company and		$ 4,500,000
Schools Excess Liability Fund (SELF)	Excess Liability	$ 21,500,000
Southern California Schools Risk Management (SCSRM)	Property	$ 600,000,000

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Employee Medical Benefits

The District has contracted with Kaiser Permanente, and Health Net, and also offers the RCCD Self-Insured Health 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.

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

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

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, 2012 to June 30, 2014:

	Self-Insurance
Liability Balance, July 1, 2012	$ 3,140,000
Claims and changes in estimates	8,517,537
Claims payments	(8,457,537)
Liability Balance, June 30, 2013	3,200,000
Claims and changes in estimates	6,372,322
Claims payments	(7,072,322)
Liability Balance, June 30, 2014	$ 2,500,000
Assets available to pay claims at June 30, 2014	$ 4,295,537

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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).

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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $5,072,101, $4,744,140, and $4,995,773, respectively, and equal 100 percent of the required contributions for each year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. 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

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were $4,103,502, $3,975,690, and $3,827,482, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to $3,355,343, $3,301,204, and $3,132,192, respectively, (5.541 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014. Total contributions to the plan amounted to $563,095.

NOTE 14 - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) SUPPLEMENTARY RETIREMENT PLANS (SRPs)

The District has adopted Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plans (SRPs). These SRPs are 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 SRPs must be a permanent employee with 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). The benefits provided under the SRPs 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 Southern California Schools Risk Management (SCSRM) 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2014, the District made payments of $130,978, $41,169, $1,417,063, and $545,353 to SELF, RCCCSSIPE, REEP, and SCSRM, 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, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial statements of the District at June 30, 2014.

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
2015	$ 1,704,408
2016	742,932
2017	4,918
2018	4,279
Total	$ 2,456,537

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Construction Commitments

As of June 30, 2014, the District had the following budgetary commitments with respect to the unfinished capital projects:

Project	Estimated Cost to Complete	Percent Complete	Estimated Completion
District - ADA Transition Plan	$ 339,938	94.66%	FY 14/15
District - Design Standards	9,969	97.19%	FY 14/15
District - IT Upgrade (Includes Audit)	3,678,909	37.00%	FY 14/15
District - Swing Space - Market Street Properties	379,009	56.26%	FY 15/16
District - Utility Infrastructure	1,165,292	83.55%	FY 14/15
Moreno Valley - Network Operations Center	2,815,617	6.89%	FY 14/15
Norco - Groundwater Monitoring Wells	368,217	31.09%	FY 15/16
Norco - Self Generation Incentive Program	584,694	81.20%	FY 14/15
Riverside City College Coil School for the Arts	20,643,060	46.35%	FY 15/16
Riverside City College Culinary Arts and District Office Building	25,686,751	22.48%	FY 15/16
Riverside City College Student Services Building	24,477,441	5.58%	FY 15/16
	$ 80,148,897		

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 fundings.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2014.

Effective in fiscal year 2013-2014, the District was required to expense issuance costs associated with the General Obligation Bond debt, as well as amortize and present deferred charges on refunding as a deferred outflow of resources. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $2,221,600.

Primary Government	
Net Position - Beginning	$ 218,945,064
Restatement of long-term debt premium for implementation of GASB Statement No. 65	(2,609,117)
Restatement of deferred outflow of resources for implementation of GASB Statement No. 65	2,027,899
Restatement of current and long-term cost of issuance assets for implementation of GASB Statement No. 65	(1,640,382)
Net Position - Beginning, as Restated	$ 216,723,464

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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
July 1, 2011	-	24,642,278	24,642,278	0.00%	N/A	N/A
July 1, 2013	-	24,161,707	24,161,707	0.00%	N/A	N/A

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2014

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
Virginia Blumenthal	President	December 2014
Janet Green	Vice President	December 2014
Nathan Miller	Secretary	December 2016
Samuel Davis	Member	December 2014
Mary Figueroa	Member	December 2016

DISTRICT ADMINISTRATION

Dr. Irving Hendrick	Interim Chancellor
Mr. Aaron Brown	Vice Chancellor, Business and Financial Services
Dr. Robin Steinbeck	Interim Vice Chancellor, Educational Services, Workforce Development and Planning
Ms. Sylvia Thomas	Interim Vice Chancellor, Diversity and Human Resources
Ms. Chris Carlson	Chief of Staff and Facilities Developmet

COLLEGE ADMINISTRATION

Dr. Wolde-Ab Isaac	Interim President, Riverside City College
Dr. Sandra Mayo	President, Moreno Valley College
Dr. Paul Parnell	President, Norco College

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass through from the Regents of the University of California, Riverside			
Building Bridges Across Riverside through Nano-Water Research	10.223	2010-38422-21220	$ 10,120
U.S. DEPARTMENT OF DEFENSE			
Procurement Assistance Center (PAC)	12.002		223,644
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership	16.607		2,268
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
Pass through from California Family Life Center			
California Family Life Center - Rubidoux	17.259	[1]	11,749
@LIKE Career Pathways	17.283	[1]	3,634
Total U.S. Department of Labor			15,383
NATIONAL SCIENCE FOUNDATION			
National Center of Excellence for Logistics and Supply Chain Technology *	47.076		758,142
SMALL BUSINESS ADMINISTRATION			
Pass through from California State University, Fullerton			
Auxiliary Services Corporation			
Tri-Tech Small Business Development Center	59.037	SBAHQ-13-B-0046, SBAHQ-14-B-0048	341,025
Tri-Tech Small Business Jobs Act	59.037	1-603001-Z-0111	85,765
Pass through from California Community Colleges Chancellor's Office			
CA State Trade Export	59.061	SBAHQ-12-IT-0053	77,853
Total Small Business Administration			504,643
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veteran Outreach Program - Administration	64.000		7,839
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster:			
Student Support Services Program	84.042A		816,950
Upward Bound Program	84.047A		978,993
Upward Bound Program - Math and Science	84.047M		228,160
Subtotal TRIO Cluster			2,024,103
Student Financial Assistance Cluster:			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		924,263
FSEOG Administrative	84.007		60,962
Federal Direct Student Loans (Direct Loans)	84.268		3,983,762
Federal Work Study Program (FWS)	84.033		965,407
Federal Work Study Administrative	84.033		59,028
Federal Pell Grants (PELL)	84.063		41,930,429
Subtotal Student Financial Assistance Cluster			47,923,851

[1] Pass-Through Identifying Number not available.
* Research and Development Grant

(Continued)

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
HIGHER EDUCATION ACT			
Title V - Transdisciplinary Cooperation for Academic and Career Success	84.031S		$ 817,514
Title V - HIS Pathways to Excellence	84.031S		879,306
Title V - Higher Education Institutional Aid	84.031S		437,499
Title V - Answering the Call	84.031S		487,353
Title V - HIS Stem and Articulation	84.031C		1,654,148
MVC Technology Access Project	84.031C		1,322,571
Subtotal Higher Education - Institutional Aid			5,598,391
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	[1]	210,799
Career and Technical Education, Title I-C	84.048	13-C01-45	1,065,779
Career and Technical Education Transitions	84.048	13-112-960	104,767
REHABILITATION ACT			
Pass through from California Department of Rehabilitation (DOR)			
Workability	84.126A	[1]	252,225
Total U.S. Department of Education			57,179,915
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Nurse Education, Practice, and Retention	93.359		57,766
Pass through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	166,487
Foster and Kinship Care Education Program (FKCE)	93.658	[1]	47,427
Pass through from Yosemite Community College District			
Early Childhood Study - Consortium Grant	93.575	[1]	18,750
Pass through from Riverside County Superintendent of Schools			
Independent Living Skills - Emancipation Services	93.674	[1]	93,203
AFFORDABLE CARE ACT			
Expansion of Physical Assistant Training Program	93.514		325,329
Total U.S. Department of Health and Human Services			708,962
DEPARTMENT OF HOMELAND SECURITY			
Pass through from the City of Riverside Office of Emergency Management			
Riverside Urban Area Security Initiative (Public Assistance Grants)	97.008	2010-0085	2,420
Total Expenditures of Federal Awards			$ 59,413,336

[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, 2014

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program (BFAP)	$ 383,858	$ -	$ 383,858
Part Time Faculty Insurance	7,794	-	7,794
Part Time Faculty Office Hours	54,268	-	54,268
PT Faculty Compensation	568,878	-	568,878
Educational Protection Act	17,185,121	-	17,185,121
Homeowner Property Tax Relief (includes SBC)	480,000	-	480,000
State Tax Subventions	-	-	-
State Lottery	3,125,000		3,125,000
State Mandated Costs	703,406	-	703,406
Basic Skills/ESL 2013-2014	401,744	-	401,744
Basic Skills/ESL 2011-2012	-	37,586	37,586
Basic Skills/ESL 2012-2013	-	186,810	186,810
Enrollment Growth and Retention ADN-RN 13-14	346,400	-	346,400
Ext Opp Prog and Serv - EOPS	1,456,326	-	1,456,326
CARE	135,309	-	135,309
Board Financial Assist Prog	1,330,560	-	1,330,560
Instructional Equipment	313,554	-	313,554
Matriculation Grant	1,760,090	-	1,760,090
Staff Development	-	4,187	4,187
AB 86 Adult Education Consortium Planning	435,294	-	435,294
Foster Care Education Program	68,813	-	68,813
Staff Diversity	10,598	14,751	25,349
Disbld Stdt Prog and Serv - DSPS	2,205,842	-	2,205,842
Sector Navigator: Global Trade and Logistics	372,500	-	372,500
Sector Navigator: Global Trade and Logistics	300,000	-	300,000
Faculty Entrepreneurship Project 11-12	-	767	767
Youth Entrepreneurship Program 11-12	-	87	87
First 5 Riverside Access and Quality Initiative	156,970	797	157,767
Song Brown RN 13-15	200,000	-	200,000
Song Brown RN Special Program 13-15	68,009	-	68,009
Enrollment Growth and Retention ADN-RN 11-12	-	24,804	24,804
Enrollment Growth and Retention ADN-RN 12-13	-	287,330	287,330
Upward Bound Math and Science Vista Del Lago	4,078	-	4,078
CTE Community Collaborative Pathways Initiative 11-12	-	230,263	230,263
CTE Community Collaborative Pathways Initiative 12-14	-	337,931	337,931
Song Brown PA Base Funding	119,977	-	119,977

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 844,388	$ -	$ -	$ -	$ 844,388	$ 844,388
7,795	-	-	-	7,795	7,795
54,268	-	-	-	54,268	54,268
568,878	-	-	-	568,878	568,878
19,627,064	38,175	-	-	19,665,239	19,665,239
450,433	-	-	-	450,433	450,433
589	688	-	-	1,277	1,277
2,480,290	551,706	-	-	3,031,996	3,031,996
703,405	-	-	-	703,405	703,405
458,434	-	-	(292,228)	166,206	166,206
37,586	-	-	-	37,586	37,586
257,364	-	-	(77,564)	179,800	179,800
290,976	-	-	(48,776)	242,200	242,200
1,456,326	-	(11,231)	-	1,445,095	1,445,095
134,900	409	(444)	-	134,865	134,865
1,330,560	-	(2,007)	-	1,328,553	1,328,553
313,550	-	-	(71,385)	242,165	242,165
1,760,090	-	-	(161,763)	1,598,327	1,598,327
4,187	-	-	(3,214)	973	973
217,647	-	-	(167,888)	49,759	49,759
39,698	43,402	-	-	83,100	83,100
25,349	-	-	(6,965)	18,384	18,384
2,205,842	-	-	-	2,205,842	2,205,842
149,000	161,353	-	-	310,353	310,353
120,000	1,614	-	-	121,614	121,614
766	-	-	-	766	766
87	-	-	(6)	81	81
131,757	-	-	(15,559)	116,198	116,198
49,980	26,803	-	-	76,783	76,783
11,791	33,080	-	-	44,871	44,871
24,804	-	-	-	24,804	24,804
287,329	-	-	-	287,329	287,329
4,078	-	-	-	4,078	4,078
189,128	39,447	-	-	228,575	228,575
280,622	-	-	(152,701)	127,921	127,921
5,910	32,197	-	-	38,107	38,107

(Continued)

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND, Continued			
Responsive Training Fund 12-13	$ -	$ 164,696	$ 164,696
Student Financial Assistance Program - Fiscal Coordination	-	438,329	438,329
Student Financial Assistance Program - Fiscal Coordination 13-14	460,530	-	460,530
Improving Patient Outcomes	15,000	-	15,000
California Community Colleges Student Mental Health Program	108,845	40,114	148,959
CalWORKs Community College Set-Aside	-	66,622	66,622
CalWORKs	784,905	-	784,905
Faculty Entrepreneurship Champion Mini grant	-	4,200	4,200
State Lottery	821,836	-	821,836
CHILD DEVELOPMENT FUND			
Campus Child Care Tax Bailout	70,348	-	70,348
STUDENT FINANCIAL AID FUND			
Cal Grant B and C	1,917,849	-	1,917,849
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 82,994	$ 34,747	$ -	$ -	$ 117,741	$ 117,741
438,329	-	-	(235,362)	202,967	202,967
-	12,129	-	-	12,129	12,129
-	11,400	-	-	11,400	11,400
74,491	66,320	-	-	140,811	140,811
66,622	-	(30,322)	-	36,300	36,300
784,905	-	(15,628)	-	769,277	769,277
-	4,200	-	-	4,200	4,200
444,296	465,216	-	(14,756)	894,756	894,756
70,348	-	-	-	70,348	70,348
1,955,120	-	(35,924)	-	1,919,196	1,919,196
$ 38,441,976	$ 1,522,886	$ (95,556)	$ (1,248,167)	$ 38,621,139	$ 38,621,139

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	24	-	24
2. Credit	1,515	-	1,515
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,607	-	16,607
(b) Daily Census Contact Hours	1,852	-	1,852
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	136	-	136
(b) Credit	2,885	-	2,885
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	2,126	-	2,126
(b) Daily Census Contact Hours	1,255	-	1,255
D. Total FTES	26,400	-	26,400
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	365	-	365
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	102	-	102
2. Credit	2,559	-	2,559

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 26,630,742	$ -	$ 26,630,742	$ 26,630,742	$ -	$ 26,630,742
Other	1300	24,422,161	-	24,422,161	24,422,161	-	24,422,161
Total Instructional Salaries		51,052,903	-	51,052,903	51,052,903	-	51,052,903
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,087,725	-	11,087,725
Other	1400	-	-	-	1,376,819	-	1,376,819
Total Noninstructional Salaries		-	-	-	12,464,544	-	12,464,544
Total Academic Salaries		51,052,903	-	51,052,903	63,517,447	-	63,517,447
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	23,405,914	-	23,405,914
Other	2300	-	-	-	1,041,930	-	1,041,930
Total Noninstructional Salaries		-	-	-	24,447,844	-	24,447,844
Instructional Aides							
Regular Status	2200	1,949,279	-	1,949,279	1,949,279	-	1,949,279
Other	2400	373,255	-	373,255	373,255	-	373,255
Total Instructional Aides		2,322,534	-	2,322,534	2,322,534	-	2,322,534
Total Classified Salaries		2,322,534	-	2,322,534	26,770,378	-	26,770,378
Employee Benefits	3000	12,048,250	-	12,048,250	28,793,209	-	28,793,209
Supplies and Material	4000	-	-	-	1,497,614	-	1,497,614
Other Operating Expenses	5000	-	-	-	11,978,551	-	11,978,551
Equipment Replacement	6420	-	-	-	1,414	-	1,414
Total Expenditures Prior to Exclusions		65,423,687	-	65,423,687	132,558,613	-	132,558,613

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 1,382,227	$ -	$ 1,382,227
Student Health Services Above Amount Collected	6441	-	-	-	21,712	-	21,712
Student Transportation	6491	-	-	-	55	-	55
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,069,917	-	1,069,917
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,116,330	-	1,116,330
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,798,920	-	2,798,920
Employee Benefits	3000	-	-	-	233,076	-	233,076
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	6,622,237	-	6,622,237
Total for ECS 84362, 50 Percent Law		$ 65,423,687	$ -	$ 65,423,687	$ 125,936,376	$ -	$ 125,936,376
Percent of CEE (Instructional Salary Cost/Total CEE)		51.95%		51.95%	100.00%		100.00%
50% of Current Expense of Education					$ 62,968,188		$ 62,968,188

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, 2014

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 19,665,239
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 19,665,239			$ 19,665,239
Total Expenditures for EPA		$ 19,665,239	-	-	$ 19,665,239
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 22,322,370	
Special Revenue Funds	888,600	
Capital Outlay Projects	47,378,289	
Debt Service Funds	11,566,842	
Proprietary Fund	4,295,536	
Fiduciary Funds	1,042,044	
Total Fund Balances and Retained Earnings - All District Funds		**$ 87,493,681**
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:	504,372,594	
Accumulated depreciation is:	(121,617,676)	382,754,918
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,007,392)
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.		(3,927,372)
Governmental funds report deferred cost of refunding associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized in the Statements of Activities.		
Deferred charge on refunding at year end amounted to:		8,121,806
Long-term obligations at year end consist of:		
Bonds payable	248,640,821	
Capital leases payable	118,547	
Compensated absences	2,450,171	
Load banking	698,837	
Supplementary retirement plan (SRP)	2,130,916	
Other postemployment benefits (OPEB)	7,844,898	
Less compensated absences already recorded in funds	(1,246,628)	(260,637,562)
Total Net Position		**$ 212,798,079**

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

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 Position - Primary Government and the related expenditures 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 Position:		$ 61,721,576
Build America Bonds	N/A	(2,308,240)
Total Expenditures of Federal Awards		$ 59,413,336

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
National Center of Excellence for Logistics and Supply Chain Technology	47.076	$ 145,134
Title V - Transdisciplinary Cooperation for Academic and Career Success	84.031S	311,456
Total Pass-Through		$ 456,590

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

Schedule of Expenditures of State Awards

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

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

VALUE THE DIFFERENCE

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

Board of Trustees
Riverside Community College District
Riverside, California

We have audited, 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, the basic financial statements of the business-type activities of Riverside Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in the Note 17 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 the District in a separate letter dated November 24, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 24, 2014

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Riverside Community College District
Riverside, California

Report on Compliance for Each Major Federal Program

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 24, 2014

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Riverside Community College District
Riverside, California

Report on State Compliance

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

Auditor's Responsibility

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

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

Mailing Address: P. O. Box 20439 Riverside, CA 92516
6370 Magnolia Avenue, Suite 330 Riverside, CA 92506 Tel: 951.367.3000 Fax: 951.367.3010 www.vtdcpa.com
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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 24, 2014

Schedule of Findings and Questioned Costs

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
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 Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.048	Career and Technical Education, Title I-B Regional Consortia Desert; Career and Technical Education, Title I-C, Career and Technical Education Transitions

Dollar threshold used to distinguish between Type A and Type B programs:	$ 344,685
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

FINANCIAL STATEMENT FINDINGS
None reported.

FEDERAL AWARDS FINDINGS
None reported.

STATE AWARDS FINDINGS
None reported.

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 financial statements of the governmental activities and the business-type activities of Riverside Community College District (the District) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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.

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. As described in Note 2 and Note 17 to the financial statements, the District changes accounting practices related to the recognition of issuance costs in relation to long term debt by adopting Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statements of Revenues, Expenses, and Changes in Net Position - Primary Government. 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. This information is disclosed in Note 5 to the financial statements.

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 used, and the required supplementary information provides the schedule of progress toward funding this liability.

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 24, 2014.

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 auditor's 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. We have issued a management letter which provides suggestions for improvements in internal control.

Other Matters

We applied certain limited procedures to the Schedule of Other Postemployment Benefits (OPEB) Funding Progress schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Trustees and management of 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.

Riverside, California
November 24, 2014

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

VALUE THE DIFFERENCE

Board of Trustees and Management
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, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 24, 2014, on the government-wide financial statements of the District.

Competitive Bidding

During our testing over the District's competitive bidding process, we noted an instance at Norco College (the College) where the College administration permitted the contractor to start and complete the project prior to the District issuing an executed copy of the Contract, Notice to Proceed Letter, and Purchase Order. The District issued the Notice of Award letter, along with the contract documents for the "Norco College Joint Sealant" project (Bid# 2013/2014-11-UCCAP) on February 5, 2014. The award letter explicitly stated "no work may commence until all required documents are returned and a Notice to Proceed Letter is issued by the District". A delay in issuing the Notice to Proceed Letter occurred while the District resolved a question related to labor compliance monitoring.

In addition to violating regulations set forth by the California Uniform Public Construction Cost Accounting Act (CUPCCAA) and Board Policies 6340 and 6345, it could have exposed the District to legal and financial liabilities as this work was not properly authorized to proceed prior to the start of the work.

Recommendation

We recommend that the College follow established District bidding and procurement procedures and regulations under CUPCCAA for public works/construction projects. Failure to follow these procedures and regulations may result in potential legal and financial liabilities to the District.

This communication is intended solely for the information and use of management, Board of Trustees, 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

Riverside, California
November 24, 2014