

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
BOARD OF TRUSTEES  
RESOURCES BOARD COMMITTEE MEETING

January 29, 2007, 5:30 p.m.

Board Room AD122, O. W. Noble Administration Building, Riverside City Campus

Committee Members: Mark Takano, Committee Chair  
Virginia Blumenthal, Vice Chair  
James Buysse, Vice Chancellor, Administration and Finance  
Melissa Kane, Interim Vice Chancellor, Diversity and  
Human Resources  
Doug Beckstrom, Academic Senate Representative  
(Moreno Valley Campus)  
Richard Mahon, Academic Senate Representative  
(Riverside)  
Tom Wagner, Academic Senate Representative  
(District and Norco Campus)  
Debbie Cazares, CTA Representative  
Su Acharya, CTA Representative  
Gustavo Segura, CSEA Representative (Moreno Valley  
Campus)  
Tish Chavez, Confidential Staff Representative

AGENDA

Resources Board Committee Reports

- V-A-8-a Agreement with Wells Fargo Bank  
- The Committee to consider an agreement to provide a multi-purpose identification/ATM card for enrolled students and District employees.
- V-A-9-a 2007-2008 Nonresident Fees  
- The Committee to consider a proposed 2007-2008 nonresident tuition fee and capital surcharge fee rate.
- V-A-9-b 2005-2006 Measure C Financial and Performance Audits  
- The Committee to review independent financial and performance audit reports of the Measure C general obligation bonds for the year ended June 30, 2006.
- V-A-9-c 2005-2006 Foundation Independent Audit Report  
- The Committee to review the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2006.
- V-A-9-d 2005-2006 District Independent Audit Report  
- The Committee to review the District's independent audit report for the year ended June 30, 2006.

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AGENDA (continued)

- V-A-9-g     A Proposal to Relocate Portables from the Lovekin Complex  
- The Committee to consider a proposal for the initial distribution and relocation of Lovekin portables using Measure C funds for this purpose.

Adjourn

Prepared by: Charlotte Zambrano  
Administrative Assistant  
Administration and Finance

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-8-a

Date: January 30, 2007

Subject: Agreement with Wells Fargo Bank

Background: Attached for the Board's review and consideration is an agreement between Riverside Community College District and Wells Fargo Bank, National Association. Wells Fargo Bank will provide a multi-purpose identification card to all enrolled students and to all District employees that can be used to access a variety of services and District facilities. Wells Fargo Bank will also provide checking account, ATM, PIN-based debit, and deposit transfer services among other banking and financial services to eligible students and District employees. The term of the agreement is from February 1, 2006 through November 30, 2011. Wells Fargo will provide a \$20,000.00 signing bonus for a 5 year contract; a minimum royalty payment of \$30,000.00 per year; \$1.00 per card for the cost of the card; and a \$10,000.00 marketing budget for the first year to be followed by \$5,000.00 annually. Funding source: No cost to the District.

This agreement has been reviewed by Jack Lipton, Esq. of Burke, Williams & Sorensen, LLP; Linda Lacy, Vice Chancellor of Student Services and Operations/Acting President, Riverside City Campus; Aaron Brown, Associate Vice Chancellor of Finance; Steve Gilson, Associate Vice Chancellor of Information Services; Ruth W. Adams, Esq., Director of Contracts, Compliance, and Legal Services; and Lorraine Anderson, District Dean of Admissions and Records.

Recommended Action: It is recommended that the Board of Trustees approve this proposed agreement with Wells Fargo Bank, National Association for the term of February 1, 2007 through November 30, 2011, at no cost to the District, and authorize the Vice Chancellor, Administration and Finance, to sign the agreement.

Salvatore G. Rotella  
Chancellor

Prepared by: Linda L. Lacy  
Vice Chancellor of Student Services and Operations/  
Acting President, Riverside City Campus

Agreement for Identification Cards  
Between  
Riverside Community College District  
And  
Wells Fargo Bank, National Association

THIS AGREEMENT (herein "Agreement") is made and entered into effective as of the 1st day of February, 2007 ("Effective Date") by and between the Riverside Community College District (herein "District") and Wells Fargo Bank, National Association (herein "Bank").

WHEREAS, District desires to offer a multi-purpose identification card ("RCCD ID CARD") to all enrolled students and to all District employees (collectively the "Eligible District Community Members") that is used to access a variety of services and District facilities; and

WHEREAS, District desires Bank to provide checking account, ATM, PIN-based debit, and deposit transfer services among other banking and financial services to Eligible District Community Members in association with and accessed through the RCCD ID Card, all as more particularly described herein; and

WHEREAS, Bank seeks to establish new account relationships through its affiliation with District including but not limited to checking accounts with linked RCCD ID CARDS (each such checking account referred to herein as "RCCD ID CARD Bank Account").

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. Term and Options to Extend. The Term of this Agreement shall commence on February 1, 2007, and shall terminate on 30th, November, 2011, unless otherwise terminated as provided in Section 24 (the "Term") or unless both parties elect to renew the Agreement for up to three (3) additional one-year terms by giving notice no later than the first day of September 2011.
2. Grant to Use District Name and Marks. District hereby grants Bank during the Term an exclusive, non-assignable, and irrevocable world-wide license to use, display, reproduce, and otherwise exploit the various logos and other identifying property and marks set forth on Exhibit "A" of this Agreement (collectively, the "District Marks") for the sole purpose of offering and promoting the financial products and services to Eligible District Community Members through the RCCD ID CARD program. All applications of the District Marks by the Bank must conform to Exhibit "A," along with any specifications established by the District which specifications may be amended from time to time. Bank will make no other use of the District Marks or any other trademark or trade name owned by or associated with the District without, in each case, District's prior explicit written consent. Bank shall deliver all RCCD ID CARD designs and all promotional and informational materials prepared by Bank that contain any District Mark to

District prior to publication for District's prior written consent which consent shall not be unreasonably withheld or unduly delayed. District also grants Bank authority to use published RCCD ID CARD marketing materials as examples for prospective Bank clients or within Bank Campus Card marketing materials. Such examples will only be used if material has been previously used with the public such as printed brochures, flyers, banners and the like.

Bank acknowledges and agrees that District is the owner of the District Marks, that the limited right hereunder to use the District Marks does not confer upon Bank any license or right of ownership of the District Marks, and all use of the District Marks by Bank will inure to the benefit of District. Accordingly, Bank's limited right to the use of the District Marks for any purpose is solely by reason of this Agreement, and Bank shall not raise or cause to be raised any questions concerning, or objections to the validity of, or the right to the use of, the District Marks or the right of the District thereto, on any grounds whatsoever, or file any application for any mark, or obtain or attempt to obtain ownership of a mark or trade name, in any country of the world, which refers to or is confusingly similar to the District Marks or any mark, design or logo intended to identify the District. Upon expiration or termination of this Agreement for any reason, Bank will immediately cease any and all use of the District Marks or any variation of the District Marks on promotional and informational materials prepared by Bank in connection with this Agreement.

District does not make, and hereby disclaims, any representations or warranties with respect to the District Marks, or with respect to whether the District Marks infringe the rights of any other party, or with respect to the existence of any state or federal registration of the District Marks or design as a trade name, trademark or mark. If there is any claim against District or Bank that the District Marks or any modifications thereof, as authorized by District, infringe the rights of another party, District will, at its own expense, defend Bank's right to use of the District Marks as authorized under this Agreement. In the event any such claim is resolved adversely to District or Bank, or in the event District agrees to discontinue its use of the subject mark(s) in order to resolve any such claim, which it shall have the right to do in its sole discretion, then District agrees to indemnify Bank against any expenses Bank incurs in discontinuing use of the marks and adopting use of alternative non-infringing marks, subject to the limitation of liability set forth in Section 19. District further agrees to indemnify Bank against all liabilities Bank incurs to third parties (including, without limitation damage awards obtained by such third parties against Bank), together with Bank's reasonable costs of defending against such liabilities (including reasonable attorney fees), arising from Bank's use of the District Marks, when such usage is in accordance with the terms of this Agreement. Subject to the foregoing, if requested by the District, Bank agrees to immediately discontinue the use of any District Marks where there has been a claim of infringement and the claim has been resolved adversely to District or Bank, or where District agrees to discontinue use of the marks in order to resolve the claim.

3. Grant to Use Bank Name and Marks. Bank hereby grants District during the Term a non-exclusive right and license to use the marks set forth on Exhibit "B" of this Agreement (collectively, the "Bank Marks") on all RCCD ID CARDS linked to a RCCD ID CARD Bank

Account and all promotional and informational materials prepared by District in connection with the RCCD ID CARD under this Agreement. District will make no other use of Bank Marks without Bank's prior written consent. District agrees that all products and/or services offered in connection with the RCCD ID CARD program shall be of a nature and quality commensurate with the nature and quality of the District's RCCD ID CARD program. District shall deliver all RCCD ID CARD designs and all promotional and informational materials prepared by District that contain any Bank Mark to Bank prior to publication for Bank's prior written consent.

District acknowledges and agrees that Bank is the owner of the Bank Marks, that the limited right hereunder to use the Bank Marks does not confer upon District any license or right of ownership of the Bank Marks and all use of the Bank Marks will inure to the benefit of Bank. Accordingly, District's limited right to use of the Bank Marks for any purpose is solely by reason of this Agreement, and upon expiration or termination of this Agreement for any reason, District will immediately cease any and all use of the Bank Marks or any variation of the Bank Marks on RCCD ID CARDS issued after the effective date of such expiration or termination.

Bank does not make, and hereby disclaims, any representations or warranties with respect to the Bank Marks, or with respect to whether such Bank Marks infringe upon the rights of any other party, or with respect to the existence of any state or federal registration of the Bank Marks or design as a trade name, trademark or service mark. If there is any claim against Bank or District that the Bank Marks or any modifications thereof, as authorized by Bank, infringe the rights of another party, Bank will, at its own expense, defend District's right to use of the marks as authorized under this Agreement. In the event any such claim is resolved adversely to Bank or District, or in the event Bank agrees to discontinue its use of the marks in order to resolve any such claim, which it shall have the right to do in its sole discretion, then Bank agrees to indemnify District against any expenses District incurs in discontinuing use of the marks and adopting use of alternative noninfringing marks, subject to the limitation of liability set forth in Section 19. Bank further agrees to indemnify District against all liabilities District incurs to third parties (including, without limitation damage awards obtained by such third parties against District), together with District's reasonable costs of defending against such liabilities (including attorney fees), arising from District's use of the Bank Marks, when such usage is in accordance with the terms of this Agreement. Subject to the foregoing, if requested by Bank, District agrees to immediately discontinue the use of any Bank Marks where there has been a claim of infringement and the claim has been resolved adversely to Bank or District, or where Bank agrees to discontinue use of the marks in order to resolve the claim.

Except as set forth in this section, any change by Bank in the specifications for any of Bank's Marks will apply only to RCCD ID CARDS issued or reissued after notice of the change is given to District. District shall be permitted to issue RCCD ID CARDS using stock which is already on order with the supplier as of the time Bank notifies District of desired changes without regard to the lapse of time between ordering and receipt of the card stock, provided that District determines that such use is needed to permit its RCCD ID CARD program to continue without interruption. Notwithstanding any provision of the Agreement to the contrary, if Bank desires to

make changes to the Bank Marks or to eliminate the Bank Marks on cards already issued, on order, or in stock with District, Bank shall pay all of District's costs related to such changes. District shall have no obligation to reissue RCCD ID CARDS with new Bank Marks solely because Bank assigns this Agreement, merges with another institution, changes its name, or is purchased by another entity, or upon expiration or termination of this Agreement.

#### 4. Royalties to District.

In consideration of the license and grant of rights from the District given to the Bank and more particularly described in the balance of this Agreement, Bank will make royalty payments to the District as follows:

a. Initial Royalty Payment

Bank will pay \$20,000.00 within thirty (30) days of the commencement of this Agreement.

b. Account Royalty Payment

Bank will pay District for each eligible checking account linked to the RCCD ID CARD for the purpose of ATM/PIN-based debit functionality and owned by an Eligible District Community Member.

The number of District RCCD ID CARD Bank Accounts, for purposes of the Account Royalty computation, will be determined by Bank, based upon the number of eligible checking accounts which have a linked RCCD ID CARD. Bank will use discrete product and customer identification and will only pay District for one linked RCCD ID CARD Bank Account per Eligible District Community Member. To be considered for payment, the RCCD ID CARD Bank Accounts must be in good standing, funded and owned by an Eligible District Community Member at the time annual computation is computed. Bank will determine computation in conjunction with District provided total enrollment of Eligible District Community Members (e.g., enrolled students). The total number of Eligible District Community Members will represent the total student enrollment number for the academic school year as of April 15<sup>th</sup> of each year of the term.

The annual account royalty payment shall be based on the number of eligible checking accounts linked to RCCD ID CARDS as a percentage of total student enrollments for the academic school year. Eligible checking accounts linked to a RCCD ID CARD held by faculty and staff will be included in the numerator of the percentage calculation but not the denominator. Accordingly, faculty and staff are not included in total student enrollment figure.

The annual account royalty payment will be calculated based on the following:

<i>Percentage of Student Enrollment Linked to a checking account</i>	<i>Annual Royalty Payment Based on Linked Accounts</i>
0% - 14.9%	\$30,000
15.0% - 19.9%	\$30,000
20.0% - 24.9%	\$35,000
25.0% - 29.9%	\$40,000
30.0% - 34.9%	\$45,000
35.0% - 39.9%	\$50,000
40.0% - 44.9%	\$60,000
45.0% - 49.9%	\$70,000
50.0% - 54.9%	\$80,000
55.0% - 59.9%	\$90,000
60.0% - 64.9%	\$100,000
65.0% - 69.9%	\$110,000
70.0% - 74.9%	\$120,000
75.0% - 79.9%	\$130,000
80.0% - 84.9%	\$140,000
85.0% - 89.9%	\$150,000
90.0% - 94.9%	\$160,000
95.0% - 99.9%	\$170,000
100%	\$180,000

Payments described in this Section 4 shall be deemed paid upon receipt by the District at the address indicated herein for receipt of notices pursuant to Section 28.



#### Royalty Payment Timeframes.

The initial payment to District of \$20,000.00 will be within thirty (30) days of the date the Agreement is executed. Bank will not have the opportunity to increase its checking account percentages until the new card program is launched and Bank can open and link checking accounts to the RCCD ID CARD. Accordingly, payment information is expected as follows:

- The account royalty payment will be calculated annually in January to ensure accurate payment has been made to District.
- Annual account royalty payments, based on number of linked RCCD ID CARD Bank Accounts, will be calculated from the total enrollment of Eligible District Community Members received from the District by April 15th. The annual account royalty payment will be due to District within sixty (60) days of the receipt of the total enrollment count.

Accordingly, the Agreement execution date is February 1, 2007, and the first new RCCD ID CARD is expected to be issued in May 2007, the first account royalty payment based on participation would be calculated in May 2008. The account royalty payment would be made by July 2008.

#### 5. RCCD ID CARD Bank Account.

During the Term, Bank will provide in accordance with this Section 5 a checking account linked to the RCCD ID CARD for RCCD ID CARD holders who have requested such an account and who meet Bank's usual checking account opening underwriting and other requirements, including without limitation a minimum opening deposit of \$100.00 by the RCCD ID CARD holder. Nothing herein prohibits Bank from closing any RCCD ID CARD Bank Account in accordance with standard deposit account procedures. Eligible District Community Members may choose from a variety of checking accounts offered by Bank. A "linked" checking account is defined as a Bank checking account which has a RCCD ID CARD linked to it within the Bank's system, for the purpose of ATM and PIN-based debit purchase functionality.

- a. Some RCCD ID CARD holders may not be eligible for the RCCD ID CARD Bank Account due to prior negative banking history, or other account opening requirements as Bank may establish from time to time in accordance with applicable law or Bank policy.
- b. Only one checking account per RCCD ID CARD holder shall be considered to be a RCCD ID CARD Bank Account.
- c. Enrolled students may choose the *Wells Fargo College Checking*<sup>®</sup> account, which has no monthly service fee and no minimum balance requirement or comparable product offered from time to time by Bank. Faculty and staff may choose one of the checking accounts offered in the *Wells Fargo Membership*<sup>®</sup> Program, which have no monthly service fee

and minimum balance requirement provided that the account receives an eligible direct payroll deposit of at least \$100.00 per statement cycle or comparable product offered from time to time by Bank.

- d. The RCCD ID CARD Bank Accounts will be subject to the same terms and conditions (including funds availability) as the terms and conditions generally applicable to accounts of Bank's other customers of the same class, as amended from time to time, except as otherwise expressly provided in this Section 5 of this Agreement.
- e. The RCCD ID CARD can be linked as an access device (e.g., for ATM transactions at ATMs that accept PLUS, Star, and Pulse transactions or PIN-based purchases at merchants where Interlink cards are accepted) to a Bank checking account.
- f. During the Term, should District decide to process student financial aid refund payments by electronic means, Bank agrees to accept such electronic refund transactions through the ACH System and make these funds available to District students by direct deposit to student's RCCD ID CARD Bank Account or other depository account maintained by the Bank for the student, all without additional deposit-related processing charges or fees to the student.
- g. Should the District request, Bank shall provide at its own expense an informational web page, maintained by Bank on its website, with a customized URL residing on the District website, dedicated to the RCCD ID CARD and the RCCD ID CARD holders, using a design and functionality subject to the approval of the District, which approval shall not be unreasonably withheld or unduly delayed. Bank shall be excused from its failure to perform any obligation under this subsection and shall not be responsible for any delay in such performance, to the extent that such failure or delay is due to the failure of District to provide any required approval. The website shall provide information as mutually agreed by District and Bank, which may include the following features:
  - i Information about various account offerings for RCCD ID CARD holders,
  - ii Link to online application to open checking or savings accounts,
  - iii Information regarding how to report lost/stolen cards including the 24/7 toll-free customer service phone number,
  - iv Link to log-in for secure online banking session, and
  - v Information about and links to other Bank related products and services.
- h. District acknowledges that Bank reviews and revises the terms, conditions, and pricing generally applicable to its deposit accounts from time to time, and agrees that nothing in

this Agreement prohibits Bank from making the same changes to the RCCD ID CARD Bank Accounts that it makes generally to its non-RCCD ID CARD Bank Accounts.

#### 6. RCCD ID CARD Bank Account Opening.

The RCCD ID CARD Bank Accounts may be opened by Bank using Bank personnel anywhere permitted by applicable law and regulations; provided however, that District shall have the right to determine where, on the District's premises, such accounts may be opened. Bank will make its personnel available when agreed to by the parties, at dates, times and places to be agreed upon by the parties, for the purpose of accepting RCCD ID CARD Bank Account applications from RCCD ID CARD holders. Bank may accept deposits to Card Bank Accounts anywhere and by any means permitted by law, including without limitation Bank's offices, mobile branches and messengers, and automated teller machines ("ATMs") or other electronic means of accepting deposits.

Bank shall be responsible for obtaining information from the RCCD ID CARD holder in connection with the RCCD ID CARD Bank Account opening. District will not have authority or responsibility to open any accounts or accept any deposits on behalf of Bank.

Bank has the right to refuse to open a RCCD ID CARD Bank Account. Bank personnel shall provide support for the implementation of the financial services associated with the RCCD ID CARD program, including the opening of checking accounts for Eligible District Community Members. Additional Bank personnel will be available and assigned as reasonably needed and as mutually agreed upon to support RCCD ID CARD Bank Account services during peak activity times, such as the initial re-carding process and first year student orientations.

7. New RCCD ID CARD Design and Specifications. The RCCD ID CARD that can be linked to a RCCD ID CARD Bank Account shall conform to the following specifications. The front side of the RCCD ID CARD will include the District Mark and design mutually selected by the parties to differentiate the new card from previous RCCD ID CARDS and other CR80 size cards. The front side shall have these minimum requirements:

- i an electronically stored photo of the RCCD ID CARD holder,
- ii the RCCD ID CARD holder's relationship to District (faculty, staff, student),
- iii the RCCD ID CARD holder's first and last name, and
- iv Wells Fargo logo.

The reverse side of the new RCCD ID CARD shall have these minimum requirements:

- i magnetic three-track strip encoded to conform with ISO 7812 and 7813 Standards, with the new 16-digit ISO number encoded in track two,
- ii Wells Fargo logo,
- iii the appropriate ATM network "bugs" as follows:  
Instant Cash: no minimum requirement  
Plus: 15mm wide X 8.25mm high

- Star: 15.9mm wide X 10mm high
- iv the appropriate Debit Point-of-Sale network “bug” as follows:  
Interlink: 16mm wide
  - v Visa required language:  
“ATM and purchase capability requires a linked deposit account.” This copy must appear:
    - Near the Interlink and Plus Marks
    - In at least 4-point Helvetica type font
  - vi instructions for reporting lost or stolen cards.

The RCCD ID CARD will include such design and functionality as is necessary to provide reasonably such District benefits as District may request, such as access pass to District facilities and District provided financial services.

District shall be responsible for any costs associated with the new design of the RCCD ID CARD. While District shall cooperate with Bank to create a RCCD ID CARD design with the intention of maximizing market potential and having an otherwise attractive appearance, District shall retain the right to disapprove Bank’s design when it finds the design to adversely impact the professional image or reputation of District or to be otherwise disadvantageous to District. Notwithstanding anything in this Agreement to the contrary, any provision contained in this Agreement regarding the design and/or specifications of the RCCD ID CARD shall be subject to any applicable card association rules and regulations (such as, without limitation, Visa, MasterCard and/or ATM networks) and subject to any other applicable law, rules or orders. No additional marks or logos shall be placed on the Card without prior Bank approval.

It is the District’s responsibility to conduct a trademark/service mark search of the new campus RCCD ID CARD (and logo if applicable). Bank will assist District at District’s expense with an initial trademark/service mark search if requested by District. District agrees to indemnify and hold Bank harmless against all claims, liabilities and judgments Bank may incur to third parties in the event that the trademark/service mark search is not conducted or if such search indicates a possible trademark/service mark infringement and District elects to use the name or card design.

8. Conversion to and Issuance of New Cards. Eligible District Community Members will receive the District RCCD ID CARD with the capability to access Bank financial services. In order to achieve timely conversion and issuance of the new RCCD ID CARD District shall as soon as is practical following the Effective Date of this Agreement, cooperate with Bank to market the RCCD ID CARD. Bank and District will work together through mutually agreed upon communication methods including without limitation communications that the District will initiate such as email, campus newspaper, orientation and acceptance mailings, etc. for the purposes of educating Eligible District Community Members about the new RCCD ID CARD program with optional PIN-based debit functionality and marketing the same. Bank and District shall engage in the following activities and take such other measures as are reasonably calculated

and necessary to achieve first issuance of the new RCCD ID CARD to all Eligible District Community Members in May 2007.

Step	Description of Activity	Approximate Time
1	Submit and Process Network Applications	70 days from date of signed Agreement
2	Card Layout, Content and Design Approval Process	70 days from date of signed Agreement
3	ATM and Debit Network Setup	60 days from date of signed Agreement
4	Network Scheduling and Loading of ISO	25 days from completion of Step 1
5	Testing	25 days from completion of Step 4
6	Marketing Plan Development	60 days from date of signed Agreement
7	Website Development	60 days from date of signed Agreement
8	Reporting Specifications	30 days from date of signed Agreement
	Total Time to linked RCCD ID CARD Card Activation	120 days

Within ten (10) days of the execution of this Agreement, District will furnish the card stock vendor information to Bank for verifying that the vendor's card product will meet industry card production standards.

Eligible District Community Members who receive the RCCD ID CARD can open a Bank checking account through a Bank representative on campus during the enrollment period or visit the local Bank store. The Eligible District Community Member will need to present the RCCD ID CARD at account opening so that it can be linked in Bank's system to be eligible for ATM/PIN-based debit functionality.

For RCCD ID CARD holders who already have a Bank checking account available for linking to their RCCD ID CARD, once the RCCD ID CARD is encoded with the appropriate 16-digit card number and upon RCCD ID CARD holder's request, Bank will enter the number into Bank's system and link such number to corresponding checking account.

District will have the right to issue replacement RCCD ID CARDS in accordance with the terms of this Agreement to RCCD ID CARD holders, whether or not they have a RCCD ID CARD Bank Account, provided District confirms that the original RCCD ID CARD has been duly reported as lost or stolen to Bank by the RCCD ID CARD holder.

#### 9. RCCD ID CARD Costs

Bank will pay up to \$1.00 of the actual cost of the plastic card stock for the RCCD ID CARD issued to Eligible District Community Members during the Term of the Agreement.

Bank will not pay for replacement RCCD ID CARDS issued to Eligible District Community Members if they are lost or stolen. It is at the District's discretion whether to charge Eligible District Community Members for replacement RCCD ID CARDS.

Bank will pay District within sixty (60) days of receipt of detailed invoice, indicating number of cards issued by District. Such invoice will be provided no less than quarterly.

10. Post-conversion Changes to the RCCD ID CARD. District reserves the right to make alterations within a mutually agreed upon time to the RCCD ID CARD program which may require re-issuance of cards, in which case District would be responsible for out-of-pocket and other expenses directly associated with the re-issuance, provided that Bank will dedicate the number of staff necessary to implement and maintain Bank's financial services throughout any re-issuance effort. District agrees that said changes will not diminish the financial services provided by Bank through the RCCD ID CARD program and will notify Bank of proposed alterations within a reasonable time prior to making the alterations.

11. Matters Relating to Lost or Stolen Cards; Fraudulent Use. Should a RCCD ID CARD be lost or stolen, the Bank shall provide for a system to immediately disable, upon notification of the loss or theft, the RCCD ID CARD's capability for processing transactions through the RCCD ID CARD Bank Account. Bank shall provide RCCD ID CARD holders, without cost to the District, a toll-free phone number for the purposes of notifying the Bank of lost and stolen RCCD ID CARDS. Such system of notification and account disablement shall be available twenty-four hours a day, seven days a week. Bank shall also respond to lost/stolen card reports made in-person to Bank representatives during regular Bank business hours.

Bank shall assume financial liability for transactions conducted with lost or stolen linked RCCD ID CARDS in the same manner, pursuant to the same policies and to the same extent as such liability is assumed for Bank's general population of checking account customers located in the state of California.

12. Persons No Longer Eligible District Community Members. Should an individual due to an interruption in an educational program, a separation from employment, or for any other reason cease to qualify for District provided identification benefits of the RCCD ID CARD, District shall in accordance with such policies and procedures as it may establish, terminate the functionality of the RCCD ID CARD and its District identification benefits. However, District shall not be required to collect the RCCD ID CARD; nor shall the RCCD ID CARD holder be required to forfeit the RCCD ID CARD. The Bank will not discontinue the services of the RCCD ID Card Bank Account solely on the basis that the account holder ceases to qualify as an Eligible District Community Member.

13. Disposition of Cards Upon Termination. Upon the termination or expiration of this Agreement for any reason, outstanding RCCD ID CARDS actively serving as District's multi-function identification card and displaying the Bank Marks may or may not be replaced by

District, at the District's sole discretion. Such outstanding RCCD ID CARDS may continue to serve as a District identification card with such District benefits as District may choose, for so long as District desires. Further, upon termination or expiration of this Agreement, Bank shall within a reasonable time thereafter cease identifying the accounts generated under this Agreement as RCCD ID CARD Bank Accounts and shall use reasonable efforts to transfer access to the accounts from the RCCD ID CARDS to alternative access devices at the termination or expiration of this Agreement. The parties shall cooperate with each other in the transition of operations to any successor to the RCCD ID CARD program described in this Agreement, including but not limited providing such information in such format as is reasonably requested and needed by the parties to accomplish the transition.

14. ISO Number Ownership. At all times, District shall be deemed to own the ISO numbers associated with the RCCD ID CARDS issued pursuant to this Agreement.

15. Vendor Support. Bank plans to continue its membership in various ATM network associations, POS network associations, and card associations, or any such successor organizations. District has no responsibility for, and no relationship with, third party vendors accepting the RCCD ID CARD for ATM, PIN-based debit RCCD ID CARD transactions as a result of this Agreement.

16. Compliance with Applicable Law and Regulations. The parties hereto agree to comply with all federal, state and local law to the extent that it is applicable to the performance of this Agreement including all laws and regulations related to the providers of the financial services offered by the Bank and all laws and regulations related to the protection and security of any personal information gathered by the Bank, such as the Gramm Leach Bliley Act. For purposes of this Agreement, District will be considered the "issuer" of the RCCD ID CARD used as the District ID card, except to the extent the RCCD ID CARD is used to perform electronic funds transfers to or from any RCCD ID CARD Bank Account, in which case Bank will be considered the "issuer." Bank will not be responsible to District or any RCCD ID CARD holder for any liability arising from District's "issuer" responsibilities. Bank will be considered the "issuer" of the RCCD ID CARD as it pertains to electronic funds transfers to or from any RCCD ID CARD Bank Account and to the performance of any other financial transactions involving a RCCD ID CARD Bank Account. Bank will be responsible to the RCCD ID CARD holder for any unauthorized or erroneous transaction involving the RCCD ID CARD Bank Account to the extent provided for under federal Regulation E (12 C.F.R. 205.1, et seq.), to the extent applicable. District will not be responsible to Bank or to any RCCD ID CARD holder for any liability arising from Bank's issuer responsibilities or for losses to any RCCD ID CARD Bank Account; provided however, that nothing herein will exonerate District from any unauthorized or erroneous transactions or losses involving a RCCD ID CARD Bank Account caused by District. In connection with the direct deposit of guaranteed student loan disbursements and other student financial aid or other District disbursements into the RCCD ID CARD Bank Accounts, if any, District will comply with all applicable laws and regulations.

17. Marketing. Bank and District shall fully cooperate and shall work in conjunction to promote the RCCD ID CARD program through various marketing efforts. Both Bank and District shall approve the content, timing, and use of all promotional initiatives and marketing/advertising materials related to the services contemplated under this Agreement. In cooperation with Bank, District will promote services provided under this Agreement to Eligible District Community Members through various communication channels available to District. District will provide Bank with the opportunity to provide information about the Bank financial services associated with the RCCD ID CARD program to District Cardholders and new incoming District students through various methods, which may include without limitation emails, acceptance and orientation packets, letters, flyers and inserts. District and Bank will mutually agree upon direct mail and email communication strategies, and District will send these communications on Bank's behalf. District agrees that such marketing materials will include both the Bank Marks and District Marks. District will provide Bank with the opportunity to include inserts funded by Bank in District mailings to District Cardholders and new incoming District students. All mailings shall be mutually agreed on and where appropriate approved by the applicable District department and Bank. In addition, District will communicate during orientation the District RCCD ID CARD program and associated Bank financial services to all parents/guardians and students. The District RCCD ID CARD program and associated Bank financial services will be communicated as the students are issued their identification card. As mutually agreed, Bank will actively participate in student orientations including but not limited to the presence of Bank representatives and presentations at the orientations. District agrees to cooperate with Bank exclusively in the expansion of financial services available to current and future RCCD ID CARD holders including but not limited to the above marketing efforts and "tabling" on campus.

#### Marketing Budget

Bank will provide the marketing services function for marketing and promotion of the RCCD ID CARD program. Bank estimates that its annual marketing budget for the promotion of the RCCD ID CARD project will be approximately \$10,000.00 the first year to launch the program and approximately \$5,000.00 annually thereafter during the Term of this Agreement. This budget includes funding for initial and annual marketing materials including customized materials that will highlight the banking features of the new RCCD ID CARD and the benefits of linking it to a Bank checking account. These marketing materials CAN BE/WILL include information about electronic financial aid disbursement WHEN THE DISTRICT ADDS THIS FUNCTIONALITY TO THE PROGRAM.

18. Insurance. Bank represents and warrants that at all times during the Term, Bank shall maintain commercial general liability insurance, including coverage for bodily and personal injury, property damage, and products liability, in accordance with Bank operating guidelines. Bank shall also obtain and keep in force workers' compensation insurance to the extent required by law and furnish proof of such to District upon request. Bank represents that the financial strength, integrity and contractual obligations of Bank provide protection for its customers with respect to risk associated with the products and services to be provided by Bank. Bank further



represents that it maintains a Professional Liability policy (also known as an Errors and Omissions policy), a Financial Institutions Bond (also known as a Fidelity Bond), and other policies with coverages and provisions considered within industry standards for similarly situated financial services companies. Bank has the right at any given time to self-insure any of the insurance coverage as long as it is a normal accepted practice for a financial services company of its financial strength.

District represents and warrants that at all times during the Term, District shall maintain through its self-insurance program comprehensive general liability insurance, including coverage for bodily and personal injury, property damage, and products liability, in accordance with its operating guidelines. During business hours following reasonable request, District shall allow Bank to review such documents as are available pursuant to Public Records Laws to verify the existence and funding supporting said self-insurance program.

19. Liability. Bank will exercise reasonable care in providing electronic funds transfer services and other services to RCCD ID CARD holders as contemplated under this Agreement, subject to breakdowns, operational failures, unavoidable delays, or similar causes beyond the party's reasonable control.

Bank does not control, and, except as provided in Federal Reserve Board Regulation E and state law to the extent applicable, is not responsible to District for any error, act, or omission with respect to ATMs or POS terminals not owned and operated by Bank.

Bank does not undertake to ensure that RCCD ID CARD holders will at all times be able to successfully accomplish transactions with Bank by any electronic means, including but not limited to ATMs, POS terminals, the Internet, or other existing or future technology associated with RCCD ID CARDS, RCCD ID CARD holders' account numbers or personal identification, or otherwise (herein "Electronic Means"). Transactions cannot be processed during off-line periods. When the computer maintaining the on-line files is off-line or rendered inoperable at any time for maintenance or servicing, or due to mechanical failure, strike, lockout, riots, epidemics, war, acts of terror, governmental regulations or other cause beyond Bank's reasonable control, such that no on-line processing of transactions may be possible, no customer transactions will be processed by Electronic Means and Bank will have no liability as a result. Bank will, however, exercise reasonable care to promptly reinstate service.

IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER FOR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE OR INDIRECT LOSS OR DAMAGE WHETHER OR NOT ANY CLAIM FOR SUCH DAMAGES IS BASED ON TORT OR CONTRACT OR EITHER PARTY KNEW OR SHOULD HAVE KNOWN THE LIKELIHOOD OF SUCH DAMAGES IN ANY CIRCUMSTANCES.

20. Representations and Warranties; Board Approval. Each party hereby represents and warrants to the other that the party has full right, power and authority to fully perform its

obligations under this Agreement, and that it has full right, power and authority to execute and deliver this Agreement, and that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized and approved by all necessary corporate action required to be taken on the part of the party including, when necessary, approval thereof by the party's Board of Directors or Board of Regents, as applicable. Each party hereby further represents and warrants to the other that this Agreement constitutes a valid and binding obligation of the party enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights and except as courts of equity may limit certain remedies such as specific performance. Each party further represents and warrants to the other that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with, or result in the violation of, any laws or regulations applicable to the party, or of the charter, articles of association or bylaws of a party, or any agreement or other instrument to which the party is subject or by which the party or any of its properties or assets are bound.

21. Examinations. Except to the extent applicable law prohibits such, all records maintained by District pertaining to Bank and its RCCD ID CARD Bank Account customers and relevant to the performance of this Agreement will be available for examination and audit by the United States Department of Treasury, Office of the Comptroller of the Currency. Bank will provide District or its duly authorized representatives with reasonable access to Bank's records for the purpose of enabling District to confirm Bank's compliance with the terms of this Agreement. All such records may be audited by the District or its designated representative(s) at any time during Bank's regular working hours upon reasonable notice. Bank may require persons obtaining access to Bank's records under this Section 21, as a condition to obtaining access, to execute written confidentiality agreements setting forth the matters as addressed Section 23.

22. Exclusivity. During the term of this Agreement, District will not cause or authorize any District identification card to be used as a device to perform electronic funds transfers to or from an account with a financial institution (including, without limitation, banks, savings banks, savings associations, and credit unions) or as a device for accessing a person's account with a financial institution other than Bank, except as otherwise agreed in writing by Bank. Nothing herein shall prevent RCCD ID CARD holders from using RCCD ID CARDS as stored value cards, declining balance cards or smart cards. In addition, during the Term of this Agreement, District will give Bank exclusive access to market financial services to Eligible District Community Members including the marketing efforts indicated in Section 17.

23. Confidentiality. District may be provided certain information concerning Bank and/or its affiliates or customers, or other information Bank deems proprietary (including, without limitation, customer account information, customer lists, business plans, data processing programs, and operating manuals), in connection with the transactions contemplated herein. Likewise, Bank may be provided certain information that District deems proprietary or

confidential pursuant to the law or District policy. As a condition to being furnished such information by a party (herein the "Confidential Information"), the other party agrees as follows:

- a. Except for RCCD ID CARD Bank Account application data and RCCD ID CARD Bank Account transaction information, which shall automatically be deemed to be Confidential Information of Bank, all information deemed confidential or proprietary by a party shall be clearly labeled "Confidential Information" or otherwise identified as "Confidential Information" in writing contemporaneous with furnishing such Confidential Information to the other party.
- b. Each party will use the Confidential Information of the other party solely for the purposes expressly authorized in this Agreement or subsequently authorized by the other party in writing.
- c. Each party will keep the Confidential Information of the other party confidential and (except to the extent required by law or legal process) refrain from disclosing the Confidential Information of the other party to any other person or party or using the Confidential Information of the other party for any purpose not expressly authorized under this Agreement or subsequently authorized by the other party in writing. Each party will be fully responsible for the unauthorized use or disclosure of the Confidential Information of the other party by any of its officers, directors, employees or other persons under its control.
- d. In the event a party is requested or legally compelled (by subpoena, warrant, legal process or other civil or criminal law, rule or procedure) to produce, disclose, or provide the Confidential Information of the other party, the party will promptly notify the other party of that fact as soon as reasonably possible, except to the extent such notification is prohibited by law.
- e. The parties agree that, to the extent applicable under the provisions of the Bank Service Company Act, they may be subject to examination by the OCC for the services provided in connection with this Agreement. The parties shall comply with the applicable requirements of 12 C.F.R. Part 30, and any other applicable law or regulation, by implementing and/or maintaining appropriate measures designed to: (1) ensure the security and confidentiality of Bank's Confidential Information; (2) protect against any anticipated threats or hazards to the security or integrity of such information; and (3) protect against unauthorized access to or use of such information that could result in harm or inconvenience to any Bank customer. These confidentiality and security provisions shall survive the termination of this Agreement.
- f. Throughout the Term, Bank shall implement and maintain appropriate safeguards, in conformity with applicable federal law and regulations, for all customer information, if any, owned by the District and delivered to the Bank pursuant to this Agreement. The

Bank shall promptly notify the District, in writing, of each instance of (i) unauthorized access to or use of that customer information that could result in substantial harm or inconvenience to a customer of the District or (ii) unauthorized disclosure, misuse, alteration or other compromise of that customer information.

In addition, Bank's customer lists, including names of Eligible District Community Members who are RCCD ID CARD holders and who have RCCD ID CARD Bank Accounts, are Bank's Confidential Information, for which Bank retains exclusive ownership and right during the Term. Therefore, although District is not precluded from using or disclosing the names of its students, faculty members, staff members or other Eligible District Community Members for any purpose it deems appropriate, District would be precluded from using a list comprised of RCCD ID CARD holders who have obtained RCCD ID CARD Bank Accounts from Bank if such use was for a purpose prohibited by this Section 23; provided, however, that District will not be deemed to be in breach of this Agreement in the event it is legally required (by subpoena, warrant, legal process or other civil or criminal law, rule or procedure) to produce, disclose, or provide such a list, provided it has made reasonable efforts to give Bank the notice required under subsection d., if applicable.

Within fifteen (15) days of the expiration or earlier termination of this Agreement, the parties shall either return if requested or otherwise destroy Confidential Information including documents, data and other information provided to each other in connection with this Agreement. Notwithstanding any provision herein to the contrary, Bank shall be permitted and shall retain such District Confidential Information for so long as: (i) is required by law; or (ii) as may be consistent with its normal business practices not to exceed five years, unless otherwise required by law.

24. Equipment. District is responsible for providing at its cost any equipment necessary to implement the new RCCD ID CARD program. Bank is responsible for providing all data lines and installation at its cost. Back-up equipment or on-site repair must be available and prompt. Equipment installation and connections, site preparation, and/or facility modification shall be at Bank's cost and must receive prior approval by District.

Bank shall at its cost be responsible for ensuring regular maintenance and service of all equipment provided by Bank, such service to be promptly available 24 hours per day, seven days per week basis. Equipment service personnel must be easily identifiable as such. Bank shall be responsible for damage and loss to equipment or its contents due to vandalism, robbery, or any other actions or cause. District will provide security personnel to protect the equipment at the same level it customarily provides to the District campus in general.

25. Termination.

- a. This Agreement may be terminated by either party (the "Non-Defaulting Party") upon notice to the other party (the "Defaulting Party") upon the Defaulting Party's material

breach of any provision of this Agreement and failure to cure the breach within 60 days after written notice describing the breach and the action necessary to cure the breach is given by the Non-Defaulting Party to the Defaulting Party. In the event the Defaulting Party is in good faith unable to cure such material breach within 60 days, it shall commence the cure in a commercially reasonable manner and notify the Non-Defaulting Party of the anticipated cure date which in no event shall be later than 120 days from the material breach.

- b. This Agreement may be terminated by either party without notice to the other party in the event a petition in bankruptcy (or similar law providing for the adjustment of debts, debt reorganization or liquidation of the party) is filed by the other party, a petition in bankruptcy (or similar law providing for the adjustment of debts, debt reorganization or liquidation of the party) is filed against the other party and is not dismissed within sixty (60) days, or a conservator or receiver is appointed for the other party or for all or a substantial portion of its assets.
- c. This Agreement may be terminated by either party at any time if: (i) the operation of the RCCD ID CARD program has or threatens to have a material adverse financial impact on Bank or District due to the use of one or more of the RCCD ID CARD s in a fraudulent manner or in a way which does not permit Bank or District to recover funds from the user(s) of the RCCD ID CARD (s); or (ii) Bank is notified by a regulatory agency that any aspect of the RCCD ID CARD program does not comply with any applicable law, regulation, rule or policy applicable to Bank or District.

26. Assignment. This Agreement may not be assigned by either party in whole or in part, other than by operation of law, without in each event the other party's prior written consent. Any such permitted assignment will not, in any event, release the party from its obligations hereunder. Written consent will not be required for transfers resulting from corporate reorganization, consolidation or name change.

27. Subcontractors. Each party is responsible for the actions of its respective subcontractors used to perform pursuant to this Agreement. The party seeking to engage a third party to perform any material obligation under this Agreement must obtain the advance written consent of the other party. The party intending to use a subcontractor as described herein shall include in the agreement with such subcontractor an acknowledgment that such subcontractor is subject to the applicable terms and conditions of this Agreement. No contractual relationship shall exist between any Bank subcontractor and District unless such is evidenced in a separate contract independent of this Agreement. Notwithstanding the foregoing, District acknowledges that certain RCCD ID CARD products and services to be provided by Bank may be supplied by or through Bank's parent corporation, entities directly or indirectly owned or controlled by Bank or its subsidiaries, entities affiliated with Bank or owned or controlled by entities affiliated with Bank, or vendors who provide certain card services and in such cases, no written consent or separate written contract shall be required for arrangements made with such entities.

28. Notices. Except as otherwise provided in this Agreement, all notices hereunder must be in writing and will be deemed given when mailed, or when delivered, if notice is given in any other manner, to the address of the party designated below or such other address as the party may designate by written notice to the other party. The date of mailing will be deemed to be the date appearing on the postmark.

If to Bank:

Richard Domagalski  
Regional President  
Wells Fargo Bank  
25240 Hancock Ave, 4th floor  
Murrieta, CA 92562

If to District:

Linda Lacy  
Vice Chancellor Student Services & Operations/Acting President, Riverside City Campus  
Riverside Community College District  
4800 Magnolia Drive  
Riverside, CA 92506

29. Amendments and Waiver. This Agreement may be amended only in writing signed by both parties. In the event of a default by either party under this Agreement, any delay, waiver or omission by the other party in exercising its rights under this Agreement or applicable law will not result in a waiver of the party's rights with respect to the same or any subsequent breach by the breaching party.

30. Governing Law. The laws of the State of California shall govern this Agreement. Nothing in this section shall be deemed to apply to any aspect of the agreement that is in place between Bank and an Eligible District Community Member regarding a RCCD ID CARD Bank Account.

31. Force Majeure. The parties shall not be considered in default should failure to perform be the result of any circumstances beyond their reasonable control, not occasioned by fault or negligence or due to compliance with any sovereign decrees, orders, acts, instructions or priority requests of any federal, state, or municipal governments or any department or agency thereof, civil or military, acts of God, fires, floods, strikes, lockouts, embargoes, acts or threats of terrorism, or wars. Upon the happening of any circumstances or causes aforesaid, non-performing party shall notify the other party without delay. Any relief granted shall be limited to an extension of delivery dates or times of performance.

32. Relationship of Parties. No agency, partnership or joint venture is created by this Agreement. The parties disclaim any intent to form such relationships.

33. Entire Agreement. Except as expressly provided herein, this Agreement constitutes the entire agreement with respect to the transactions contemplated herein and supersedes and is in full substitution for any and all prior agreements and understandings between the parties hereto relating to such transactions. Each party disclaims reliance on any prior oral or written representations or undertakings by the other party in entering into this Agreement unless such representations or undertakings are expressly set forth in this Agreement. Wherever the parties agree to discuss a matter, there will be no implied agreement to agree, nor will any other standard be applied in determining a party's performance that is not expressly set forth in the Agreement. However, District and Bank agree that the provisions of account agreements will govern the products and services to be provided by Bank pursuant to this Agreement.

34. Information System General Security.

- a. District and its employees shall comply with all Bank security policies, procedures, and standards, as it may promulgate from time to time, including, without limitation, those governing access to data, computer systems, and facilities and governing the removal of property from Bank's premises.
- b. With regard to any computer system owned, controlled, or used by District or any agent or subcontractor of District, which computer system is now or hereafter physically or logically connected to or able to access any computer system owned, controlled, or used by Bank or which is used to store any Bank's software or data, District shall comply with all Bank's security policies, procedures, and standards governing or related to the connection or access to Bank's computer systems as it may promulgate from time to time so long as District receives notice of such policies, procedures, and standards, and any relevant changes.
- c. In addition, District agrees: (i) not to alter any hardware or software security residing on any Bank's computer system and/or network; and (ii) not to allow unauthorized traffic to pass into Bank's networks. In addition to any other rights Bank may have under this Agreement, Bank may terminate an unauthorized access.

35. Taxpayer Identification Number. District shall provide Bank with a duly dated and executed certification of taxpayer identification number in the form attached as Exhibit C.

36. License to Establish Link to Bank Web Site. District may choose to use the Bank "red box" logo on the District Internet web site as a link to Bank's Internet web site at [wellsfargo.com](http://wellsfargo.com) and has requested Bank's consent.

Bank hereby grants to District a worldwide, non-exclusive right and license to establish a normal (href) text based link on [www.rcc.edu](http://www.rcc.edu) to the [www.wellsfargo.com](http://www.wellsfargo.com) home page for the purpose described in the immediately preceding paragraph; provided, however, that District shall not "frame" the Bank web pages inside the District web site. Bank also hereby grants to District a non-exclusive right and license to use the WELLS FARGO "red box" logo ("the Logo") on the District Internet web site located at [www.rcc.edu](http://www.rcc.edu) for the exclusive purpose of linking from

www.rcc.edu to www.wellsfargo.com. District agrees that nothing herein shall give to it any right, title or interest in the Logo (except the right to use the Logo in accordance with the terms of this Agreement), that the Logo is the sole property of Bank and that any and all uses by District of the Logo shall inure to the benefit of Bank.

District acknowledges that Bank may terminate the above right to link and the right to use the Logo if the content or structure of the District web pages and/or web site changes unless within ten (10) calendar days after receiving written notice of termination from Bank, District removes the materials to which Bank objects or revises the District web pages and/or site to return to the original format or a format that is acceptable to Bank. If the above right to link and use the Logo is terminated, District agrees to remove the link from the District web page to the Bank web page and cease all use of the Logo within ten (10) calendar days of receiving notice.

District agrees that it will not use any Logo design except the camera-ready or downloadable Logo design provided to District by Bank. District agrees that all products and/or services offered by District on its web site in the future shall be of a nature and quality commensurate with the nature and quality of its current products and/or services. Bank may monitor the District use of the Logo on the District web site. District shall deliver all web pages that reference Bank and/or contain the Logo to Bank prior to publication for Bank's consent.

This license to use Logo shall be royalty-free. This license to use Logo and any and all rights granted hereunder are personal in nature to District, are non-transferable by District, do not convey any sublicensing rights to District, and shall not inure to the benefit of any successor in interest of District. This license to use Logo shall be binding upon and inure to the benefit of Bank's successors and assigns. All rights not specifically granted or licensed to District are reserved to Bank.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates designated below.

Wells Fargo Bank, National Association

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



Riverside Community College District

Signature: \_\_\_\_\_

Name: James L. Buysse

Title Vice Chancellor, Administration & Finance

Date: \_\_\_\_\_

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-a

Date: January 30, 2007

Subject: 2007-2008 Nonresident Fees

Background: Education Code Section 76140 requires California community college districts to establish a nonresident tuition fee rate by Board action prior to February 1 each year for the succeeding academic year. The District has historically established its rate at the statewide average. Currently, the District's nonresident tuition fee rate is \$159 per unit. The statewide average rate is \$173 per unit.

Education Code Section 76141 authorizes California community college districts to charge nonresident students who are both citizens and residents of a foreign country a capital outlay surcharge amount not to exceed the amount expended for capital outlay in the preceding year, divided by the total full-time equivalent students. Currently, the nonresident capital outlay surcharge is set at \$19 per unit. Staff recommends that this fee remain unchanged for 2007-2008.

Recommended Action: It is recommended that the Board of Trustees adopt for 2007-2008 a nonresident tuition fee rate of \$173 per unit; a capital outlay surcharge fee rate of \$19 per unit; and direct staff to promulgate these charges via the 2007-2008 catalog, schedule of classes, Board Regulation 6042 and other appropriate materials.

Salvatore G. Rotella  
Chancellor

Prepared by: Aaron S. Brown  
Associate Vice-Chancellor, Finance

California Community Colleges  
**NONRESIDENT TUITION FEE WORKSHEET (ECS 76140)**

2007-08

	Statewide (Col. 1)	District (Col. 2)	For Districts with 10% or More Noncredit FTES (Col. 3)
<b>A. Expense of Education for Base Year</b> (2005-06 CCFS-311, Expenditures by Activity Report, AC 0100-6700, Cols: 1-3)	\$ <u>5,701,446,922</u>	\$ <u>122,460,843</u>	\$ _____
<b>B. Annual Attendance FTES</b>	<u>1,146,722</u>	<u>26,789</u>	\$ _____
<b>C. Expense of Education per FTES (A ÷ B)</b>	\$ <u>4,972</u>	\$ <u>4,571</u>	\$ _____
<b>D. USCPI Factor (2 years)</b>	x <u>1.045</u>	x <u>1.045</u>	x <u>1.045</u>
<b>E. Cost per FTES for Tuition Year (C x D)</b>	\$ <u>5,196</u>	\$ <u>4,777</u>	\$ _____
<b>F. Per Unit Nonresident Tuition Fee:</b>			
<b>Semester-System Colleges (E ÷ 30) and/or</b>	\$ <u>173</u>	\$ <u>159</u>	\$ _____
<b>Quarter-System Colleges (E ÷ 45)</b>	\$ <u>115</u>	\$ <u>N/A</u>	\$ _____

**NOTE:**

For purposes of computing nonresident tuition only, all student contact hours of attendance in credit and noncredit courses, including all those generated by nonresident students and apprentices, are to be included in determining the "FTES" used in computing Expense of Education figure per FTES. Round tuition fee to the nearest dollar.

A district may use columns 1 or 2 to determine nonresident tuition. Column 3 is an option only for use by a district with ten percent (10%) or more noncredit FTES (see ECS 76140(e)).

The district governing board at its January 30, 2007, meeting, adopted a nonresident tuition fee of \$173 per semester unit and/or \$N/A per quarter unit. Basis for adoption is:

- (Circle One)
1. Statewide basis, per column 1;
  2. District basis, per column 2;
  3. District basis with 10% or more noncredit FTES, per column 3;
  4. No more than contiguous district \_\_\_\_\_  
(identify district)
  5. No more than district basis (Col. 2 or 3); no less than statewide basis (Col. 1).

For districts exercising option of ECS 76141(a), compute additional charge for capital outlay for foreign students as follows:			
a. Capital Outlay for 2005-06	\$	<u>35,680,680</u>	
b. FTES for 2005-06		<u>26,789</u>	
c. Foreign Student Charge (line a ÷ line b)	\$	<u>1,332</u>	
d. Amount per Semester Unit (line c ÷ 30) and/or	\$	<u>44</u>	
e. Amount per Quarter Unit (line c ÷ 45)	\$	<u>N/A</u>	
f. <b>ACTUAL AMOUNT APPROVED BY DISTRICT:</b>	\$		<u>19</u>

Upon adoption of fee, please submit a copy of this report to:

California Community Colleges  
 Fiscal Services Unit, Attn. Patricia Laurent  
 1102 Q Street, Suite 400  
 Sacramento, CA 95814-6511  
 FAX 916.323.3057

Aaron S. Brown  
 Contact Person

Riverside Community College District  
 Community College District

(951) 222-8789

67223A

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-b

Date: January 30, 2007

Subject: 2005-2006 Measure C Financial and Performance Audits

Background: In accordance with the provisions of Proposition 39, independent financial and performance audits of the Measure C general obligation bonds were performed by Eadie and Payne LLP. A representative of the firm will be available to present the reports. Results of the audits are summarized below.

Audit Findings

There were no findings and questioned costs related to the audits of the Measure C general obligation bonds for the year ended June 30, 2006.

Audit Adjustments

There were no audit adjustments.

Recommended Action: It is recommended that the Board of Trustees receive the independent financial and performance audit reports of the Measure general obligation bonds for the year ended June 30, 2006 for the permanent file of the District.

Salvatore G. Rotella  
Chancellor

Prepared by: Bill J. Bogle, Jr.  
District Controller

**RIVERSIDE COMMUNITY  
COLLEGE DISTRICT**

**RIVERSIDE COUNTY**

**REPORT ON PROPOSITION 39 FUNDING  
FINANCIAL AND PERFORMANCE AUDITS**

**JUNE 30, 2006**

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
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JUNE 30, 2006

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DEBORAH L. CROWLEY, C.P.A.  
PATRICIA L. GILBREATH, C.P.A.  
TODD C. LANDRY, C.P.A.



JOHN F. PRENTICE, C.P.A.  
DAVID M. THAYER, C.P.A.  
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants  
and  
Business Advisors*

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited the accompanying financial statements of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the financial activity of the General Obligation Bond Funded Capital Outlay Projects and do not purport to, and do not, present fairly the financial position of the Riverside Community College District, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Eadie and Payne, LLP*

September 13, 2006

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
**BALANCE SHEET**  
JUNE 30, 2006

**ASSETS**

Cash and cash equivalents	\$36,480,753
Accrued interest receivable	<u>154,131</u>

**TOTAL ASSETS** \$36,634,884

**LIABILITIES**

Accounts payable	<u>\$ 2,463,380</u>
------------------	---------------------

**TOTAL LIABILITIES** 2,463,380

**FUND BALANCE**

Restricted	<u>34,171,504</u>
------------	-------------------

**TOTAL FUND BALANCE** 34,171,504

**TOTAL LIABILITIES AND FUND BALANCE** \$36,634,884

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



**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

**REVENUE**

**Revenue From Local Sources**

Interest income \$ 1,726,681

**Total Revenue From Local Sources** 1,726,681

**Total Revenue** 1,726,681

**EXPENDITURES**

Capital outlay 18,337,890

**Total Expenditures** 18,337,890

**EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES** (16,611,209)

**FUND BALANCE AT JULY 1, 2005** 50,782,713

**FUND BALANCE AT JUNE 30, 2006** \$34,171,504

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**1. NATURE OF ACTIVITIES**

These financial statements present only the financial activity of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District and do not purport to present the financial position or the changes in financial position of the Riverside Community College District. Debt service on the general obligation bonds is not included in these financial statements.

On March 2, 2004, the voters of Riverside Community College District approved Measure C, a \$350 million bond measure designed to provide funds to improve facilities and safety at the Moreno Valley, Norco, and Riverside campuses.

Because Measure C was a bond election under Proposition 39, the District was obliged to establish a Citizens' Oversight Committee in order to satisfy the accountability requirements of Proposition 39. Regulated by the Ralph M. Brown Public Meetings Act, the committee reviews expenditure reports to ensure that a) bond proceeds are expended only for the purpose set forth in the ballot measure and b) no bond proceeds are used for any teacher or nonconstruction related administrative salaries or operating expenses.

In August 2004, the District issued the General Obligation Bonds, Series A and B in the amounts of \$55,205,000 and \$9,795,000, respectively. Series A bonds were issued to finance the acquisition, construction, and modernization of property and school facilities and to refund the District's outstanding Certificates of Participation (1993 Financing Project). The Series B Bonds were issued to advance refund the District's outstanding Certificates of Participation (2001 Refunding Project) Series B.

In June 2005, the District issued the General Obligation Refunding Bonds, Series 2004A in the amount of \$58,386,109 to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Series A Bonds and to pay costs of issuance associated with the Bonds.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### B. **Basis of Accounting**

The activity of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the General Obligation Bond Funded Capital Outlay Projects related to the current reporting period. Expenditures of the fund frequently include amounts for land, buildings, equipment, debt service, and transfers to other funds. Consequently, these statements do not purport to present the results of operations or the net income or loss for the period as would a statement of income for a for-profit-type organization.

### C. **Cash and Cash Equivalents**

The District considers all highly liquid investments with an initial maturity of three months or less, from the date of acquisition, to be cash equivalents. Funds invested in the County treasurer's investment pool are considered cash equivalents. In the current year, the County invested a portion of the District's General Obligation Bond funds in a fixed-interest investment, the funds remain highly liquid to the District and are considered cash equivalents. Cash in the County treasury is recorded at cost, which approximates fair value.

## 3. **CONSTRUCTION COMMITMENTS**

As of June 30, 2006, the District had commitments of \$8,526,672 with respect to unfinished general obligation bond funded capital projects.

DEBORAH L. CROWLEY, C.P.A.  
PATRICIA L. GILBREATH, C.P.A.  
TODD C. LANDRY, C.P.A.



JOHN F. PRENTICE, C.P.A.  
DAVID M. THAYER, C.P.A.  
FRANK M. ZABAleta, C.P.A.

*Certified Public Accountants  
and  
Business Advisors*

## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Riverside Community College District  
Riverside, California

In connection with our audit, we have examined the Riverside Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2006. Management is responsible for the Riverside Community College District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Riverside Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Riverside Community College District's compliance with specified requirements.

In our opinion, the Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

*Eadie and Payne, LLP*

September 13, 2006

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BONDS  
PROPOSITION 39 PERFORMANCE AUDIT  
PROCEDURES PERFORMED  
JUNE 30, 2006**

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2006 for the General Obligation Bond Funded Capital Outlay Projects. We obtained the actual invoices and other supporting documentation for expenditures on a sample basis to test compliance with Proposition 39. We performed the following procedures:

- We reviewed the ballot proposition of the Riverside Community College District bond measure outlining the projects to be funded from the bond proceeds.
- We selected expenditures during the period July 1, 2005 to June 30, 2006 for testing on a sample basis. We reviewed supporting documentation for items selected to ensure that funds were properly expended on the specific projects approved by the Board of Trustees and that these projects were in conformity with the ballot text.
- We compared total expenditures to date for each project to budgets for each project.
- We also verified that funds were generally used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and we verified that funding was not spent for teacher or nonconstruction related administrative salaries or other school operating expenses.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
 GENERAL OBLIGATION BONDS  
 BOND PROJECT SUMMARY  
 JUNE 30, 2006**

The District identified 17 projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$30,463,341 through June 30, 2006 for these projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH JUNE 30, 2005	2006 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH JUNE 30, 2006
Parking Structure - Riverside	\$ 20,238,814	\$ 1,581,883	\$12,180,366	\$ 13,762,249
PE Complex/Athletic Field Phase I - Riverside	4,769,000	4,151,673	447,715	4,599,388
Swing Space	4,368,459	3,494,556	743,101	4,237,657
Quad Moderization Project	6,769,822	428,458	959,633	1,388,091
RCC System Office - Purchase Option	2,629,982	382,279	2,247,703	2,629,982
Bridge Space Project	1,175,132	265	1,174,867	1,175,132
Phase III - Moreno Valley - Initial Planning	1,157,320	31,647	7,792	39,439
Phase III - Norco - Planning and Working Drawings	918,785	356,029	11,168	367,197
MLK Renovation	1,010,614	899,481	111,133	1,010,614
District Computer/Network/Phone Upgrades	626,990	404,064	128,380	532,444
Scheduled Maintenance - District Match for State Allocation	341,075	322,000	18,075	340,075
Nursing/Sciences Building - Riverside - Initial Planning	206,426	73,116	78,076	151,192
Physical Education Phase II	194,546		178,298	178,298
Feasibility and Planning	45,000		45,000	45,000
Center for Primary Education	5,870,605		6,583	6,583
Norco Campus Room Renovations	100,220			
Moreno Valley ECS Secondary Effects	19,000			
<b>TOTALS</b>	<b><u>\$ 50,441,790</u></b>	<b><u>\$ 12,125,451</u></b>	<b><u>\$18,337,890</u></b>	<b><u>\$ 30,463,341</u></b>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BONDS  
PROPOSITION 39 PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2006**

There were no findings and questioned costs related to the audits of the General Obligation Bonds for the year ended June 30, 2006.

DEBORAH L. CROWLEY, C.P.A.  
PATRICIA L. GILBREATH, C.P.A.  
TODD C. LANDRY, C.P.A.



JOHN F. PRENTICE, C.P.A.  
DAVID M. THAYER, C.P.A.  
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants  
and  
Business Advisors*

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited the financial statements of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District for the year ended June 30, 2006 and have issued our report thereon dated September 13, 2006. In connection with that audit, we are providing you with the following information.

#### **OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS**

As stated in our engagement letter dated September 21, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Riverside Community College District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### **SIGNIFICANT ACCOUNTING POLICIES**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Riverside Community College District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### **AUDIT ADJUSTMENTS**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **DISAGREEMENTS WITH MANAGEMENT**

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

### **CONSULTATION WITH OTHER INDEPENDENT ACCOUNTANTS**

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

### **ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS**

We often discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our retention as auditors. However, no discussions occurred prior to our retention as auditors for the General Obligation Bond Capital Outlay Projects of the Riverside Community College District for which our responses were a condition to our retention.

### **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

Board of Trustees  
Riverside Community College District

Page Three

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

*Eadie and Payne, LLP*

September 13, 2006

Client: **Riverside Community College District's Measure C Bonds**  
Engagement: **Riverside Community College District's Measure C Bonds**  
Period Ending: **6/30/2006**  
Workpaper: **Passed Adjustments Journal Entries Report**

<b>Account</b>	<b>Description</b>	<b>W/P Ref</b>	<b>Debit</b>	<b>Credit</b>
<b>Proposed JE # 400</b>				
To adjust AP accruals to actual as of 6/30/06				
-1.4160.0000.000.950	Accounts Payable		43,609.00	
-1.4160.7121.802.000	Parking Structure - Riverside		44,831.00	
-1.4160.7125.676.000	Phase III - Moreno Valley - Initial Planning			88,440.00
<b>Total</b>			<b>88,440.00</b>	<b>88,440.00</b>

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-c

Date: January 30, 2007

Subject: 2005-2006 Foundation Independent Audit Report

Background: An independent audit of the Foundation's 2005-2006 financial statements was performed by Ahern, Adcock, Devlin, LLP, (AAD) Certified Public Accountants. A representative of the firm will be available to present the report. The Foundation's Board of Directors accepted the audit report on December 12, 2006. Results of the audit are summarized below.

Audit Findings and Management Recommendation

There was one current year audit finding. The audit finding is summarized below:

- Some Common Fund Bond and Equity investment purchases and sales activity were not reflected on the monthly investment reconciliations. The Common Fund regularly reports gain and loss information when investments are sold, but cost basis information has not been reported to the Foundation. Therefore investment cost basis information has not been maintained.

There were no prior year audit findings.

There were no reported management recommendations.

Audit Adjustments

There were no audit adjustments to the Foundation's financial statements as a result of the independent auditors' work.

Auditor's Required Communication – Audit Completion

In accordance with Statement on Auditing Standards No. 61, at the conclusion of the audit engagement AAD is required to communicate information to the Board of Directors regarding their responsibility under United States Generally Accepted Auditing Standards, significant accounting policies, accounting estimates, significant audit adjustments and uncorrected misstatements, disagreements with management, consultation with other independent accountants, issues discussed prior to retention of the independent auditors and difficulties encountered in performing the audit. Attached for your information is the required communication issued by AAD.

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-c

Date: January 30, 2007

Subject: 2005-2006 Foundation Independent Audit Report (continued)

Recommended Action: It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2006 for the permanent file of the District.

Salvatore G. Rotella  
Chancellor

Prepared by: Bill J. Bogle, Jr.  
District Controller

**RIVERSIDE COMMUNITY  
COLLEGE DISTRICT FOUNDATION**

**FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2006 AND 2005**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Riverside Community College District  
Foundation

We have audited the accompanying statements of financial position of Riverside Community College District Foundation (the "Foundation") (a nonprofit organization) as of June 30, 2006 and 2005 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The schedules of functional expenses, Foundation accounts, and endowed scholarships on pages 13 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Ahern • Adcock • Devlin LLP**  
Certified Public Accountants

September 15, 2006

By: Linda S. Devlin, CPA



**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**Statements of Financial Position**

	<b>June 30, 2006</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$(25,766)	\$ 689,398		\$ 663,632
Investments		1,326,124		1,326,124
Unconditional promises to give	11,914	34,651	\$ 101,058	147,623
<b>Total current assets</b>	(13,852)	2,050,173	101,058	2,137,379
<b>Investments</b>			2,230,639	2,230,639
<b>Long-term unconditional promises to give</b>	41,329	52,174	33,066	126,569
<b>Total assets</b>	\$ 27,477	\$2,102,347	\$2,364,763	\$4,494,587
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable		\$ 73,841		\$ 73,841
<b>Total current liabilities</b>	\$ -	73,841	\$ -	73,841
Refundable advances		150,000		150,000
<b>Long-term liability</b>	177,037			177,037
	177,037	223,841	-	400,878
<b>NET ASSETS</b>				
<b>Unrestricted</b>				
Undesignated	(149,560)			(149,560)
Temporarily restricted		1,878,506		1,878,506
Permanently restricted			2,364,763	2,364,763
<b>Total net assets</b>	(149,560)	1,878,506	2,364,763	4,093,709
<b>Total liabilities and net assets</b>	\$ 27,477	\$2,102,347	\$2,364,763	\$4,494,587

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

<b>June 30, 2005</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$845	\$ 578,031		\$ 578,876
	1,628,123		1,628,123
	23,301		23,301
845	2,229,455	\$ -	2,230,300
		2,011,871	2,011,871
	39,625		39,625
<u>\$845</u>	<u>\$2,269,080</u>	<u>\$2,011,871</u>	<u>\$4,281,796</u>
	\$ 136,777		\$ 136,777
\$ -	136,777	\$ -	136,777
-	136,777	-	136,777
845	2,132,303		845 2,132,303
		2,011,871	2,011,871
845	2,132,303	2,011,871	4,145,019
<u>\$ 845</u>	<u>\$2,269,080</u>	<u>\$2,011,871</u>	<u>\$4,281,796</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Statements of Activities and Changes in Net Assets**

	<b>For the Year Ended June 30, 2006</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>CHANGES IN NET ASSETS</b>				
<b>Revenues</b>				
Donations	\$ 89,975	\$ 408,532	\$ 238,467	\$ 736,974
Investment income	1,131	65,078	183,380	249,589
Donated assets	19,008			19,008
Donated materials	28,151			28,151
Donated services	197,817			197,817
<b>Total revenues</b>	<b>336,082</b>	<b>473,610</b>	<b>421,847</b>	<b>1,231,539</b>
<b>Assets released from restrictions</b>	<b>796,362</b>	<b>(727,407)</b>	<b>(68,955)</b>	
<b>Expenses</b>				
Operating expenses	62,223			62,223
Fundraising activities	203,955			203,955
Donated assets	19,008			19,008
Donated materials	28,151			28,151
Donated services	197,817			197,817
Scholarships	599,917			599,917
Program services	171,778			171,778
<b>Total expenses</b>	<b>1,282,849</b>	<b>-</b>	<b>-</b>	<b>1,282,849</b>
<b>Net increase (decrease) in net assets</b>	<b>(150,405)</b>	<b>(253,797)</b>	<b>352,892</b>	<b>(51,310)</b>
<b>Net assets, beginning of year</b>	<b>845</b>	<b>2,132,303</b>	<b>2,011,871</b>	<b>4,145,019</b>
<b>Net assets, end of year</b>	<b>\$ (149,560)</b>	<b>\$1,878,506</b>	<b>\$2,364,763</b>	<b>\$4,093,709</b>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Statements of Cash Flows**

	<b>For the Years Ended June 30,</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>			
Increase (decrease) in net assets		\$ (51,310)	\$ 45,613
Adjustments to reconcile change in net assets to net cash used in operating activities			
Allowance for uncollectible promises to give		12,886	(838)
Discounts for promises to give		27,634	(21,637)
Contributions restricted for long-term purposes		(796,998)	(809,832)
Unrealized and realized gains on investments		(173,640)	(205,336)
Increase (decrease) in:			
Accounts payable		(62,936)	18,041
Refundable advances		150,000	
Net cash used in operating activities		<u>(894,364)</u>	<u>(973,989)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments		(359,884)	
Proceeds from sale of investments		1,161,967	228,970
Purchases of investments for long-term purposes		<u>(545,212)</u>	
Net cash provided by investing activities		<u>256,871</u>	<u>228,970</u>
<b>Cash flows from financing activities</b>			
Proceeds from long-term liability		177,037	
Proceeds from contributions restricted for long-term purposes		<u>545,212</u>	<u>819,965</u>
Net cash provided by financing activities		<u>722,249</u>	<u>819,965</u>
Net increase in cash and cash equivalents		84,756	74,946
<b>Cash</b>			
Beginning of year		<u>578,876</u>	<u>503,930</u>
End of year		<u>\$ 663,632</u>	<u>\$ 578,876</u>

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

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

### **Notes to Financial Statements**

#### **1. Nature of Activities and Summary of Significant Accounting Policies**

Riverside Community College District Foundation (the "Foundation") is a nonprofit organization incorporated under the laws of the State of California on October 21, 1975 to assist the Riverside Community College District (the "District") to meet its goals and objectives as determined by the District's board of trustees. Those objectives include raising funds through events and donation campaigns. The funds are used to support special projects and curricula and to provide scholarships to students attending Riverside Community College District. The Foundation also serves as a link between the District and the community.

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to the following classes of net assets:

*Unrestricted net assets* include resources that are not temporarily or permanently restricted by the donor and are available for operations of the Foundation without limitation.

*Temporarily restricted net assets* include those resources whose use is restricted by donor-imposed criteria that either expires with the passage of time or by actions of the Foundation.

*Permanently restricted net assets* include resources whose use is permanently restricted by the donor, requiring that the donor contributions be held by the Foundation and that income be used for scholarships, as specified by the memorandum of understanding. Income not spent in any year is generally not available in future years but becomes part of the principal.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include deposits at financial institutions and investments with original maturities of three months or less.

#### **Investments**

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Unrealized gains and losses are included in the change of net assets.

#### **Support**

Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

### **Notes to Financial Statements**

#### **1. Summary of Significant Accounting Policies (Continued)**

##### **Donated Assets**

The Foundation accepts nonmonetary donations on behalf of the District. The Foundation has adopted Statement of Financial Accounting Standard (SFAS) No. 136, *Accounting for Financially Interrelated Organizations*. Under SFAS No. 136, the Foundation is required to recognize the fair value of nonfinancial assets received as an increase in assets and as contribution revenue that increases temporarily restricted net assets. The fair value is based on the estimated fair market value on the date of donation. When the Foundation distributes the nonfinancial assets to the District, it reduces its assets and recognizes an expense and the expiration of the restriction.

##### **Donated Materials and Services**

Donated materials are reflected in the accompanying statements at their estimated fair market value at date of donation. Donated services are recognized in the financial statements if those services require specialized skills, are provided by individuals with those skills, and would have been purchased had they not been provided by contribution. Donated services were provided to the Foundation for professional, legal, accounting, and auditing services.

The District also provides office space for the Foundation. The fair value of the use of the District's office space has not been determined and is not included in the value of donations recorded by the Foundation.

##### **Income Taxes**

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

##### **Use of Estimates**

The preparation of 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 disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

#### **2. Cash**

The Foundation has cash in financial institutions which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 at each institution. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed the FDIC insurance limit. Management reviews the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Foundation.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Notes to Financial Statements**

**3. Investments**

Investments are presented at fair value based on quoted market prices and are composed of the following at June 30:

	2006		
	Cost	Fair Value	Excess (Deficit) of Fair Value Over Cost
Equity funds	\$1,090,681	\$1,626,712	\$536,031
Bond funds	1,936,927	1,930,051	(6,876)
<b>Total</b>	<b>\$3,027,608</b>	<b>\$3,556,763</b>	<b>\$529,155</b>

	2005		
	Cost	Fair Value	Excess of Fair Value Over Cost
Equity funds	\$1,064,426	\$1,796,300	\$731,874
Bond funds	1,757,578	1,843,694	86,116
<b>Total</b>	<b>\$2,822,004</b>	<b>\$3,639,994</b>	<b>\$817,990</b>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 431	\$24,814	\$ 69,921	\$ 95,166
Net realized and unrealized gains	700	40,264	113,459	154,423
<b>Total investment return</b>	<b>\$1,131</b>	<b>\$65,078</b>	<b>\$183,380</b>	<b>\$249,589</b>

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 968	\$30,378	\$ 64,472	\$ 95,818
Net realized and unrealized gains	3,020	56,712	119,145	178,877
<b>Total investment return</b>	<b>\$3,988</b>	<b>\$87,090</b>	<b>\$183,617</b>	<b>\$274,695</b>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Notes to Financial Statements**

**4. Unconditional Promises to Give**

The Foundation held several pledge drives to raise funds for the Alumni House, Dental Hygiene program, Passport to College program, and other miscellaneous programs.

Unconditional promises to give are as follows:

	June 30,	
	2006	2005
Receivables in less than one year	\$161,082	\$25,378
Receivables in one to five years	140,466	41,860
Receivables in more than five years	820	830
Total unconditional promises to give	302,368	68,068
Less discounts to net present value	<u>(28,176)</u>	<u>(5,142)</u>
Net unconditional promises to give	<u>\$274,192</u>	<u>\$62,926</u>
Unconditional promises to give	\$147,623	\$23,301
Long-term unconditional promises to give	<u>126,569</u>	<u>39,625</u>
	<u>\$274,192</u>	<u>\$62,926</u>

Management uses the mid-term adjusted fixed rate as the discount rate used on long-term promises to give, which was 5.06 percent and 4.01 percent at June 30, 2006 and 2005, respectively. Unconditional promises to give are also reflected net of an allowance for uncollectible promises of \$15,224 and \$2,338 at June 30, 2006 and 2005, respectively.

**5. Refundable Advances**

During the year ended June 30, 2006, the Foundation received a grant award to develop an education model in conjunction with a local unified school district through the summer of 2008. As of June 30, 2006, \$150,000 of the \$300,000 total grant was received and is included in refundable advances. The remaining \$150,000 is subject to receipt and approval of interim reports and is anticipated to be received in June 2007.

**6. Long-Term Liability**

During the year ended June 30, 2006, the Foundation entered into an agreement with the District whereby the District will advance funds up to \$1.3 million to the Foundation to cover costs associated with the Major Gifts Campaign. Repayment of advances will be in equal semi-annual payments beginning July 1, 2009 with the final payment due on or before June 30, 2111. Balances accrue interest at the rate realized by the District from the Riverside County Treasurer, which is 4.46% at June 30, 2006. Total amounts due to the District at June 30, 2006 is \$177,037, which includes \$1,035 in accrued interest.



## **RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

### **Notes to Financial Statements**

#### **7. Related Party Transactions**

As described in Note 6, the Foundation has a long-term debt balance of \$177,037 at June 30, 2006 with the District. Interest expense for the year ended June 30, 2006 was \$1,035.

During the year ended June 30, 1999, the Foundation entered into an agreement with the District through which the District purchased a building for \$400,000. The Foundation reimbursed the District for that amount during the year ended June 30, 2004. The building, which is owned by the District, is jointly used by both the District and the Foundation. The Foundation leases the property at a cost of \$1 per year. This agreement expires November 30, 2008.

The Foundation received contributed employee services, other professional services, and materials valued at \$329,355 and \$325,353 from the District for the years ended June 30, 2006 and 2005, respectively. The Foundation paid \$7,579 and \$17,676 for food services used and \$140,453 and \$9,553 for other business services and salaries during the years ended June 30, 2006 and 2005, respectively.

At June 30, 2006 and 2005 amounts due to the District of \$70,131 and \$130,747, respectively, are included in accounts payable.

#### **8. Commitments**

During the year ended June 30, 1997, the Foundation began the "Passport to College" program, which was designed to encourage local elementary-age school children to pursue a college education. As part of this program, the Foundation guaranteed scholarships to eligible local elementary school students who would be beginning their first year of college at Riverside Community College District in the fall of 2005. At June 30, 2006, \$18,900 is included to fund the remaining Passport to College scholarships in the Foundation's temporarily restricted scholarship funds. During the year ended June 30, 2006, the Foundation paid \$399,545 to the District for scholarships and expenses relating to the program. The scholarships are anticipated to be fully disbursed during the year ended June 30, 2007.

The Foundation is the fiscal agent for a scholarship component of a District Gear-Up Grant through the Department of Education. As of June 30, 2006, the Foundation has received a total of \$1,289,400 for years one through five of the five-year grant. At June 30, 2006, the funds, including interest income less a small amount expended for investment management fees, are included in the Foundation's temporarily restricted scholarship funds and total \$1,333,852. The Foundation will hold the funds until the scholarships are distributed beginning in the fall of 2006.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### Notes to Financial Statements

#### 9. Net Assets

##### *Unrestricted Net Assets*

During the year ended June 30, 2006, the Foundation incurred \$183,831 in net expenses related to a major fundraising campaign, which created a net deficit in unrestricted net assets. Management estimates the \$1.3 million in costs associated with the campaign will be repaid through unrestricted contributions and/or administrative fee allocations as described in Note 6.

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Programs	\$ 271,456	\$ 244,373
Scholarships	<u>1,607,050</u>	<u>1,887,930</u>
	<u>\$1,878,506</u>	<u>\$2,132,303</u>

**SUPPLEMENTARY INFORMATION**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Functional Expenses**

For the Year Ended June 30, 2006

	2006			2005
	Program	Administrative	Fundraising	Total
Alumni House Campaign	\$ 3,308			\$ 19,884
Annual Recognition Dinner	15,899			6,595
Associates	3,274			2,946
Athletic department	500			1,736
Baseball program	1,500			1,000
Basketball reunion				262
Best Technician Academy				35
Chemistry Institute				62
College safety	7,402			7,402
Dance studio	980			980
Dental Hygiene program	70,721			64,547
Dental Hygiene for low income	1,560			1,215
Digital library opening	1,433			1,433
Early Childhood Studies				790
Forensics	3,965			1,035
Gear-Up	9,083			8,317
Music Theatre				2,225
Norco ECS playground				49,971
Passport Plus				250
Passport to College	3,453			37,924
Riverside School for the Arts	250			250
Performance Riverside	31,950			32,191
Toyota T-Ten	16,500			11,099
Young at Heart				1,202
Friends of Forensics				50
Knopf, Arthur C. Memorial				150
Stover Memorial Scholarship				1,044
Scholarships	599,917			694,737
Donated assets	19,008			47,200
Donated salaries		\$178,820		152,544
Printing		13,558	\$ 4,418	13,147
Uncollected pledges		11,719		(838)
Conferences				3,549
Bank charges		19,994		20,812
Other services		15,624	186,697	45,476
Miscellaneous		18,776	7,340	41,299
Audit services		18,997		18,510
Office supplies		4,562	4,465	2,529

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Functional Expenses**

For the Year Ended June 30, 2006

	<b>2006</b>			<b>2005</b>
<b>Program</b>	<b>Administrative</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Postage	\$ 6,141		\$ 6,141	\$ 2,842
Interest		\$ 1,035	1,035	
Periodicals				125
Total expenses	<u>\$790,703</u>	<u>\$288,191</u>	<u>\$203,955</u>	<u>\$1,282,849</u>
			<u>\$1,286,462</u>	

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Unrestricted funds</b>				
Undesignated	\$845	\$91,106	\$241,511	\$(149,560)
Total unrestricted funds	\$845	\$91,106	\$241,511	\$(149,560)
<b>Temporarily restricted Foundation funds</b>				
Alumni House Campaign	\$ 61,977	\$ 7,733	\$ 11,159	\$ 58,551
Advanced Technology Center – Norco		990	25	965
Applied Technology	42			42
Art Gallery	535			535
Annual Recognition Event		18,845	15,899	2,946
Airey, Wilfred J. Library Fund		650		650
Associates	7,594	3,959	3,274	8,279
Athletic department	3,153	11,506	577	14,082
Baseball program	1,550		1,500	50
Basketball reunion	778			778
Basic Skills & Readiness – Riverside		2,560	102	2,458
Basic Skills & Readiness – Norco		324	13	311
Basic Skills & Readiness – Moreno Valley		1,982	98	1,884
Best Technician Academy	3,598			3,598
Black History Month		4,541	177	4,364
Bridge Program – Moreno Valley	905			905
Center for Primary Education – La Sierra		1,796	90	1,706
Chemistry Inst. Imp. (Amrich)	1,805	(1,805)		
Chemistry Inst. Imp. (Bond)	305			305
Chemistry Inst. Imp. (Pleasants)	4,130			4,130
College safety & police		7,800	7,402	398
Community events	132			132
Construction technology	2,000			2,000
Culinary arts	21			21
Dance studio renovation	1,264		980	284
Dental Hygiene program	43,956	59,752	72,593	31,115
Dental Hygiene for low income	585	1,500	1,560	525
Digital library opening	3,632	1,000	1,433	3,199

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Foundation funds (continued)</b>				
DSP&S	\$ 209			\$ 209
Early Childhood Studies	6,191			6,191
Early Childhood Studies – Moreno Valley	1,075	\$ 1,975	\$ 39	3,011
EMS Program Event		75		75
Faculty development – Moreno Valley		1,297	65	1,232
Faculty project		5,000		5,000
Folklor Mexicano		3,000	3,000	
Ford Asset Program	96			96
Forensics	6,820	13,662	3,964	16,518
Foundation restricted	255			255
Handicapped students	1,164			1,164
Iannone, Laura Fund	1,470			1,470
Instructional media services	79			79
International students program		227	9	218
Journalism department	635			635
Library acquisition	1,354			1,354
Library – Moreno Valley	153			153
Loma Linda Toy Project	283			283
Machine shop	604			604
Moreno Valley campus grounds beautification		1,006	48	958
Moreno Valley outreach		57	3	54
Moreno Valley music department		95	5	90
Music department	1,720	250		1,970
Musical Theatre conservatory	550	1,410		1,960
New Directions book fund	25			25
New Directions Center	721			721
New Nursing Prep Program – Moreno Valley		588	29	559
Norco Children’s Playground	29	125		154
Norco ECS Fund		299	9	290
Nursing immersion	60,000			60,000
Off-Broadway	509			509
Okubo, Mine Memorial Fund	3,720	50		3,770
Passport Plus	260			260

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Foundation funds (continued)</b>				
Performance Riverside	\$ 10,507	\$ 24,802	\$ 31,950	\$ 3,359
Perris Youth Initiative	18			18
Physician Assistant program		954	47	907
Planetarium development	934			934
President's discretionary	149			149
Professional auto tech center		979	48	931
Public safety and homeland security		1,994	92	1,902
Rawlings athletic	8			8
Retiree luncheon	175			175
Sanchez, Rico and Julie - Biology	250		250	
School of Nursing		3,733	174	3,559
Showcase singers	200			200
Supplies for art department		864	43	821
Toyota T-Ten	6,078	14,666	16,500	4,244
Young at Heart	170		1	169
<b>Total temporarily restricted Foundation funds</b>	<b>244,373</b>	<b>200,241</b>	<b>173,158</b>	<b>271,456</b>
<b>Temporarily restricted Scholarship funds</b>				
AAUW Scholarship	350			350
Aguilar, Jose Memorial	280		140	140
Aiko, Dora Katono Scholarship		300	300	
Air Force Scholarship	500	750	750	500
Allied Health	200			200
Alpha Delta Kappa Scholarship	2,710	1,200	300	3,610
American Legion		200	200	
Amrich, Leora Tracy Memorial Scholarship	600	1,805	600	1,805
Anderberg Nursing Scholarship		1,581		1,581
Angel, Nicholas Memorial	568	700	500	768
Applied Technology	4,340	75	200	4,215
Asper Scholarship	1			1
Ayres, Tillie Scholarship	144	(144)		
Baum, Drs. Bradley & Carla		500		500
Baum, Drs. Lloyd & Alma Scholarship		500		500
Bigbee, Elizabeth Scholarship		25		25



**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Scholarship funds (continued)</b>				
Brodie, James Smith	\$ 5,737	\$ 780	\$ 150	\$ 6,367
Brown, Bartholomew Memorial Scholarship	865	(1,215)	(350)	
Business Office Scholarship	605	1,438	246	1,797
Cancer Federation Award	750	250	450	550
Carnes, Carl & Margaret Scholarship		500		500
Carranza Memorial Scholarship	425	192	200	417
Cioffi – Thomas/Vallejo Family Scholarship	500	7,033	1,324	6,209
Clark, Christopher A. Scholarship	125			125
Clark, Megan E. Memorial Scholarship	4,516			4,516
College for Kids Scholarship	2,382	240		2,622
Community Foundation Scholarship	18,547	55,223	57,550	16,220
Creative Writing Scholarship	2,914	980	800	3,094
Cutter, Albert B. Memorial	225	1,800	1,575	450
Dance Scholarship	12,299	1,050	7,200	6,149
Dassow Memorial Scholarship	30	56		86
Deluhery, James Memorial Scholarship	500			500
Deutsch, Oskar Memorial Nursing Scholarship	250	250	250	250
Diequez, Alcira Memorial Scholarship		1,603	63	1,540
Dyer, Bob Memorial Scholarship	1,575			1,575
Dyslexia Scholarship	331			331
Ellis, Robert Memorial Scholarship	50			50
ESL Scholarship		48	2	46
Eslamidoust, Pouran Memorial Scholarship	295			295
Exchange Club Scholarship	1,500	2,000	500	3,000
Faculty Memorial Scholarship	5,513	1,890		7,403
Foreman Scholarship	1,750		500	1,250
Gateway to College	3,634			3,634
Gear-Up Scholarship	1,307,758	35,177	9,083	1,333,852
Gospel Singers Scholarship	425	505	125	805
Grove, Eleanor Mem. Nursing Scholarship		15,140		15,140
Groves, Paul Douglas Memorial Scholarship	250			250

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Scholarship funds (continued)</b>				
H.S. Achievement Scholarship	\$ 200			\$ 200
Hardesty, Drs. Robert & Marti Scholarship		\$ 500		500
Harriss, Tawny Memorial Scholarship	85			85
Hispanic Educators of Tomorrow	380			380
History Department Scholarship		929	\$ 47	882
Horstman, Dorothy Memorial Scholarship	50			50
Huang Family Scholarship		1,000	500	500
Information Services Scholarship	45	60		105
Insurance Women SB/Riverside Scholarship	800			800
Jacobs, Doug Memorial Scholarship	1,120	1,104	273	1,951
Johnson, Tom Memorial Scholarship		5,079	139	4,940
Kaiser Volunteer Scholarship	250	500	500	250
Kane, Helen Memorial Scholarship	75			75
Kipper Scholarship	4,050			4,050
Locke, Catherine Scholarship	4,103		500	3,603
Louisor, Dr. Guy Memorial Scholarship	50			50
Maguire Family Scholarship		1,440	130	1,310
McNair, David Memorial	374		300	74
Mehegan, Dr. James Memorial Scholarship	1,070	1,818	532	2,356
Moors, Susan Study Abroad School	600			600
Moreno Valley Middle College HS Program		278	11	267
Moreno Valley Math/Science Scholarship		2,858	93	2,765
Music Department Faculty Scholarship	1,750	100		1,850
Neufield, Bill Memorial	120			120
Nightingales, Memorial Scholarship	500	500	500	500
Nursing Faculty Scholarship Fund	3,542	1,169		4,711
Nursing Leadership Scholarship	1,255	850	400	1,705
Ogata-Sarafian Family Memorial	1,000	100	1,000	100
Panhellenic Association Scholarship	520	500	520	500
Parker, Christine Memorial	1,505		200	1,305

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Scholarship funds (continued)</b>				
Parry, Ed Memorial	\$ 305		\$ 200	\$ 105
Passport to College	394,149	\$ 25,667	400,916	18,900
Passport/Wells Fargo Grant	33,500			33,500
Pauley, Blaga S. Memorial Scholarship	175	1,179		1,354
Pond, Lena T. Scholarship	6	17,200	16,810	416
Puente Scholarship	50	15		65
Puente/Kathy Gonzales Memorial Book Fund	7,135	(7,135)		
Quin Piano Scholarship	600	250	500	350
RCC Moreno Valley Campus Student Services Award	3,991	1,240		5,231
RCC Norco Campus Faculty Scholarship	2,386	437	250	2,573
Rickson, Roger Memorial Scholarship	4,954		250	4,704
Riverside Community Hospital Auxiliary Nursing		14,000	10,000	4,000
Riverside School for the Arts	300	6,173	550	5,923
Riverside Scholars	2,500	20,000	9,500	13,000
Riverside Women's Club Scholarship		2,000	2,000	
Roby, Paul Memorial Nursing Scholarship		2,000		2,000
Rotary Club of Magnolia Center	3,453	1,047	4,500	
Rotary Club of Norco Scholarship	169	7,250	7,019	400
Rowden, Mary Photo Scholarship		100	100	
Russell, Hazel Hawkins Scholarship	372			372
Ryan's Scholarship	1,430	700	150	1,980
Schmitt, Chuck Memorial Scholarship	138			138
SOS Awards	38			38
Spoto, Luciana Memorial Scholarship	890	250	200	940
Stalder, Cecil Scholarship	250			250
Strickland, Dean E. Memorial	3,400	1,500	500	4,400
Student Equity Scholarship		9,271	429	8,842
Student Financial Aid	364		125	239
Stull, Georgina L. Memorial Nursing	10,000		7,000	3,000
Tassari, Patrick Memorial	750	250	500	500
Telecom Award Fund		500		500
Textbook Assist (Lidner-Baum)		1,050		1,050

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Foundation Accounts**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Temporarily restricted Scholarship funds (continued)</b>				
Thoris Family Scholarship		\$ 5,000		\$ 5,000
Tolson, Jay Memorial Scholarship	\$ 125			125
Tworek, Dr. R.K. President Scholarship		4,541	\$ 177	4,364
Ursua, Genora Memorial	500	250	500	250
Ursua Memorial Scholarship	755	500	500	755
Vargas, Gina Memorial Scholarship		3,294	20	3,274
Veltum, Ann Memorial	1,482			1,482
Vocational/occupational	2,123			2,123
Voiture 394 Scholarship		\$ 1,500	\$ 1,250	250
Walsh, Bonita Scholarship	2,227	3		2,230
Wright, Ken Scholarship	125			125
Zonta Club Scholarship	2,400	2,100	2,000	2,500
<b>Total temporarily restricted scholarship funds</b>	<u>1,887,930</u>	<u>273,369</u>	<u>554,249</u>	<u>1,607,050</u>
<b>Total temporarily restricted funds</b>	<u>\$2,132,303</u>	<u>\$473,610</u>	<u>\$727,407</u>	<u>\$1,878,506</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Endowed Scholarships**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Permanently restricted endowed funds</b>				
Arlington/Riverside Gakuen	\$ 11,830	\$ 940	\$ 450	\$ 12,320
ASRCC	193,495	15,550	6,300	202,745
Associates	44,077	5,318	1,500	47,895
Barron, Paul Memorial	25,214	2,018	250	26,982
Bates, Cheri Jo	10,873	851	400	11,324
Board of Realtors, Riverside area	17,677	9,902	300	27,279
Brauti, T. Martin Memorial	16,576	1,294	650	17,220
Brown, Bartholomew Memorial		11,747	700	11,047
Castro, Rodolpho	83,142	6,513	3,000	86,655
Chin, Harry S.P.	13,927	1,107	450	14,584
Coil, Horace O.	14,194	1,104	600	14,698
Coil, James L.	14,962	1,166	600	15,528
Corona, Frank & Mary Endowed		19,640		19,640
Day, Betty Endowed	15,150	1,209	300	16,059
DeAro, Steven Memorial	11,342	889	400	11,831
DeFrancisco, Nate	15,100	1,213	600	15,713
Distribution Management Association of Southern California Logistics	9,531	2,204		11,735
Energy Tech – Riverside Public Utilities	38,446	3,048	1,000	40,494
Faculty Memorial	45,857	3,763	1,750	47,870
Fauth, Bette Memorial	22,179	1,778		23,957
Finch, V & S Scholarship	18,000	1,431	700	18,731
Ford, Charles & Elaine	106,300	7,750		114,050
Foster, Sandra Memorial	9,003	716	300	9,419
Friends of Forensics	14,104	1,170	1,000	14,274
Friends of Forensics – Griffitts	7,080	671	260	7,491
Friends of Forensics – McCoy	10,333	843		11,176
Friends of Forensics – Pauw	9,206	751		9,957
Friends of Forensics – Rentschler	9,056	740		9,796
Friends of Forensics – Stallings	10,645	869		11,514
Friends of Forensics – Vahdani		9,820		9,820
General Scholarship Endowment – Moreno Valley		22,989	1,139	21,850
General Scholarship Endowment – Norco		4,562	195	4,367
General Scholarship Endowment – Riverside		659	24	635
General Scholarship Endowment	175,299	30,744	7,292	198,751

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Endowed Scholarships**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Permanently restricted endowed funds</b>				
(continued)				
Griffin Endowed Scholarship		\$ 95,184	\$ 4,760	\$ 90,424
Grindstaff, Leonard Memorial	\$ 10,239	1,082	400	10,921
Hawkins-Newstead Endowed Scholarship	26,517	2,082	1,500	27,099
Hayashi, Norio	10,329	825	200	10,954
Heers, John C. Memorial	16,622	1,321	650	17,293
Holmes, Clifford W., Jr.	18,847	1,740	525	20,062
Holmes, Dale S.	19,666	1,824		21,490
Hord, Roy	15,769	1,310	1,025	16,054
Hunt, Debby	21,489	1,748	625	22,612
Information services	15,590	2,304	10	17,884
Jaeger, Edmund	13,842	1,089	450	14,481
Kaiser Permanente - Nursing	83,020	6,614	2,500	87,134
Kane, Charles A.	24,841	2,087	500	26,428
Kincell, Dorothy - Foreign Language	25,848	2,019	1,000	26,867
Kincell, Dorothy - Spanish Language	25,729	2,009	1,000	26,738
Kipper, Daniel J. Memorial Civil Engineering	24,771	2,149	1,000	25,920
Kiwanis	33,167	2,588	1,300	34,455
Knopf, Arthur C. Memorial	40,884	3,273	500	43,657
Knopf, Dorothy Memorial Endowment		27,197		27,197
Lamar, Margaret Memorial	13,413	1,049	500	13,962
Latino Educators of Tomorrow (L.E.T.)	12,289	948	600	12,637
Leonard, John L. Memorial	20,902	1,675	600	21,977
Management Association	10,670	3,125		13,795
Marsh, Jack & Jean	17,595	1,405	350	18,650
McCoy, Ferne Future Teachers	15,854	1,265	499	16,620
Moeller, Karen & Harold Memorial	136,961	10,904	5,000	142,865
Moors/Goodwill Memorial	11,538	917	450	12,005
Nursing Faculty Endowed Scholarship		3,502		3,502
Patterson, Lewis & Jessie Memorial	13,884	1,083	550	14,417
Pauw, Alan & Jan	54,307	4,412	400	58,319
Payday for Women	21,397	1,665	900	22,162
Poison Garden	5,614	5,368		10,982
Puente/Kathy Gonzales Memorial Book		13,170	1,000	12,170
Ramirez Family Endowed		10,988		10,988
Riverside Sunrise Rotary	15,775	1,257	450	16,582

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Schedule of Endowed Scholarships**

For the Year Ended June 30, 2006

	Balance June 30, 2005	Capital Additions/ Transfers	Expenditures/ Transfers	Balance June 30, 2006
<b>Permanently restricted endowed funds</b>				
(continued)				
Roberts, Dell	\$ 17,796	\$ 1,982	\$ 400	\$ 19,378
Rotary Club of Riverside	13,977	1,091	550	14,518
Schlein, David E. & Sadie Memorial	9,751	965	500	10,216
Singletary Family Endowment	16,690	1,362		18,052
Soroptimist International - Corona/Norco	14,816	1,193	300	15,709
Stover Memorial Fellowship	38,858	3,081	1,000	40,939
Swoffer, Betty J. & Gordon N.	8,909	708	350	9,267
Taber Family	17,127	1,398		18,525
Thompson & Colegate	13,754	1,073	550	14,277
Toro Company	14,522	1,134	549	15,107
Wadding, Richard - Nursing	10,363	2,163	527	11,999
Waite, Martha & Ernest K. Memorial	23,746	1,897	450	25,193
Wecksler, Becky	10,268	3,635	2,500	11,403
Western Community Bank	14,845	1,157	600	15,402
Willmon, David C., Jr.	13,960	1,115	275	14,800
Ybarra, Cecil	12,273	910	1,000	12,183
Yount	10,249	836		11,085
<b>Total permanently restricted endowed funds</b>	<b>\$2,011,871</b>	<b>\$421,847</b>	<b>\$68,955</b>	<b>\$2,364,763</b>

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Nora L. Teasley, CPA

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Backup V-A-9-c  
January 30, 2007  
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To the Board of Directors  
Riverside Community College District Foundation

We have audited the financial statements of Riverside Community College District Foundation (the "Foundation") for the years ended June 30, 2006 and 2005 and have issued our report thereon dated September 15, 2006. Professional standards require that we provide you with the following information related to our audit:

#### **Our Responsibility Under United States Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 11, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatements and are fairly presented in accordance with United States generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

#### **Internal Control**

In planning and performing our audit of the financial statements of the Foundation, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Foundation's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Findings and Recommendations section of this letter.

#### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2006 and 2005. We noted no transactions entered into by the Foundation during the years that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### **Accounting Estimates**

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 valuation of unconditional promises to give.

Management's estimate of the unconditional promises to give is based on net present value, net of estimated uncollectible promises to give. We evaluated the key factors and assumptions used to develop the unconditional promises to give in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments and Uncorrected Misstatements**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Foundation's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Foundation, either individually or in the aggregate, indicate matters that could have a significant effect on the Foundation's financial reporting process.

Professional standards require that we inform you about uncorrected misstatements aggregated by us during our engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements are presented in the attached Summary of Audit Differences.

### **Disagreements with Management**

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

### **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 Foundation's financial statements or a determination of the type of auditors' opinion which may be expressed on those statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

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 Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

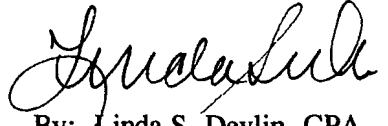
**Difficulties Encountered in Performing the Audit**

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

\* \* \* \* \*

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

**Ahern • Adcock • Devlin LLP**  
Certified Public Accountants



By: Linda S. Devlin, CPA

September 15, 2006.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

### **Findings and Recommendations**

June 30, 2006

#### **Investments**

During our testing, we noted that investment reconciliations did not reflect all purchases and sales activity. In addition, cost basis for Common Fund Bond and Equity investments is not maintained. We recommend that the Foundation's investment reconciliations reflect all purchases and sales and that cost basis be maintained for each investment.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**Summary of Audit Differences**

June 30, 2006

	1.		
Unconditional promises to give		\$5,088	
Donations			\$5,088
To record Performance Riverside June 2006 receipts.			
	2.		
Interest receivable		\$15,231	
Net assets			\$11,665
Investment income			\$3,566
To record accrued investment income, net effect at June 30, 2006 and 2005.			

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-d

Date: January 30, 2007

Subject: 2005-2006 District Independent Audit Report

Background: In accordance with Education Code Section 84040(b), an independent audit of the District's 2005-2006 financial statements was performed by Ahern, Adcock, Devlin, LLP, (AAD) Certified Public Accountants. A representative of the firm will be available to present the report. Results of the audit are summarized below.

Audit Findings and Management Recommendations

There was one current year audit finding as shown on pages 70 through 71 of the audit report. The audit finding is summarized below:

- The District calculated Title IV refunds using incorrect drop dates. In addition, some student refunds for the Fall term were processed during the Winter term resulting in some refunds not being returned to the Department of Education within the statutory timeline.

The recommendations for all of the prior year audit findings shown on pages 74 through 76 of the audit report were fully implemented during Fiscal Year 2005-2006.

There were no reported management recommendations.

Audit Adjustments

There were two audit adjustments to the District's financial statements as shown on page 57 of the audit report. The adjustments resulted in a decrease of \$184,118 in the self-insured fund as a result of adjustments to accounts receivable and claims liability.

Auditor's Required Communication – Audit Completion

In accordance with Statement on Auditing Standards No. 61, at the conclusion of the audit engagement AAD is required to communicate information to the Board of Trustees regarding their responsibility under United States Generally Accepted Auditing Standards and OMB Circular A-133, significant accounting policies, accounting estimates, significant audit adjustments and uncorrected misstatements, disagreements with management, consultation with other independent accountants, issues discussed prior to retention of independent auditors and difficulties encountered in performing the audit. Attached for your information is the required communication issued by AAD.

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-d

Date: January 30, 2007

Subject: 2005-2006 District Independent Audit Report (continued)

Recommended Action: It is recommended that the Board of Trustees receive the independent audit report for the year ended June 30, 2006 for the permanent file of the District.

Salvatore G. Rotella  
Chancellor

Prepared by: Bill J. Bogle, Jr.  
District Controller

**RIVERSIDE COMMUNITY  
COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2006 AND 2005**

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**FINANCIAL SECTION**

Michael R. Adcock, CPA  
Thomas E. Ahern, CPA  
Linda S. Devlin, CPA  
Janell M. Fratt, CPA  
Wing K. Lau, CPA  
Andrew Steinke, CPA  
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January 30, 2006  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Riverside Community College District  
Riverside, California

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, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Contracted District Audit Manual* issued by the California Community College Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Riverside Community College District as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ahern • Adcock • Devlin LLP  
Certified Public Accountants

October 27, 2006

By: Linda S. Devlin, CPA

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2006

This section of the Riverside Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2006. This is prepared in compliance with the reporting standards required for public colleges and universities.

#### **New Accounting Standards**

The Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in June 1999, which established a new reporting format for the annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in the 2002–03 fiscal year. In May 2002, GASB released statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District has adopted and applied the above standards.

The California Community College Chancellor's Office recommends that all state community college districts follow the new standards using the Business-Type Activity (BTA) model. The District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current-year data. As required by the aforementioned accounting principles, this report consists of three basic financial statements that provide information on the District as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

#### **Financial Highlights**

- ◆ The District's primary funding is received from the State of California. The State allocation is based on "Program-Based Funding" comprised of state apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During 2005–06, resident credit and noncredit FTES were 26,202 and 121, respectively, as reported on the annual apportionment attendance recalculation report. All 2005–06 credit and noncredit FTES will be funded according to the State Chancellor's Office.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

(Continued)

June 30, 2006

- ◆ The District ended the year with an unrestricted general fund balance of \$12.6 million, a decrease of \$0.1 million. The State Chancellor's Office and District Board policy recommend that reserve levels of five percent be set aside for economic uncertainties. The District has exceeded this requirement.
- ◆ The primary expenditures of the District are for the salaries and benefits of our academic, classified, and administrative employees. These costs increased over the 2004-05 fiscal year by approximately \$10.6 million. This increase reflects the addition of 23 new faculty positions; 23 new full-time and permanent part-time classified and management positions; step and column increases in compensation; a State funded Cost Of Living Adjustment (COLA) of 4.23 percent plus an additional one percent as part of employee compensation packages contained in negotiated bargaining unit agreements; and increased costs associated with medical, dental, and workers' compensation programs, particularly for claims associated with the District's indemnity plan.
- ◆ Available funds from August 2004 through June 2006, realized from bond proceeds, bond premiums, and interest earnings totaled \$78.4 million. \$65.5 million of this amount has been committed to approved Measure C projects as of June 30, 2006.
- ◆ The District utilized Measure C proceeds, State Construction Act funding, local monies or a combination of these sources to fund a number of major construction and building projects during the year including:

- MLK Remodel
- Parking Structure Phase I – Riverside
- PE Complex/Athletic Field Phase I – Riverside
- Love Kin Complex
- Bridge Space
- RCC System Office Purchase
- Center for Primary Education
- Quad Remodel
- Norco Phase III
- Moreno Valley Phase III
- Nursing/Science Project
- Business Education Remodel
- Administration Remodel
- PE Phase II

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

(Continued)

June 30, 2006

- ◆ The District provides student financial aid to qualifying students of the District. During the 2005–06 fiscal year, \$15.1 million in direct grants and loans were provided to our students, a decrease of \$0.2 million over the prior year. Additionally, approximately \$6.1 million of enrollment fee waivers were provided to our students, a decrease of \$0.3 million over the prior year. This decrease was a result of a decline in enrollment.

#### Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net assets — the difference between assets and liabilities — are one way to measure the financial health of the District. Net asset data allows readers to determine the resources available to continue the operations of the District.

The net assets of the District consist of three major categories:

- ◆ *Invested in capital assets, net of related debt* – The District's equity in property, plant, and equipment.
- ◆ *Restricted net assets (distinguishing between major categories of restriction)* – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
- ◆ *Unrestricted net assets* – The District can use them for any lawful purpose. Although unrestricted, the District's governing Board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify those restrictions.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Management's Discussion and Analysis**

(Continued)

June 30, 2006

**Condensed Statement of Net Assets  
 (in Thousands)**

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
<b>ASSETS</b>			
<b>Currents assets</b>			
Cash and short-term receivables	\$ 56,166	\$ 45,356	\$ 10,810
Inventory and other assets	90	98	(8)
Total current assets	<u>56,256</u>	<u>45,454</u>	<u>10,802</u>
<b>Noncurrent assets</b>			
Restricted cash	36,481	52,337	(15,856)
Capital assets, net of depreciation	143,101	117,293	25,808
Total noncurrent assets	<u>179,582</u>	<u>169,630</u>	<u>9,952</u>
Total assets	<u>\$235,838</u>	<u>\$215,084</u>	<u>\$20,754</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 9,588	\$ 8,414	\$ 1,174
Deferred revenue	2,977	2,767	210
Claims liability	2,477	2,416	61
Amounts held in trust for others	1,034	1,012	22
Current portion of long-term debt	7,238	5,633	1,605
Total current liabilities	<u>23,314</u>	<u>20,242</u>	<u>3,072</u>
<b>Long-term debt</b>	<u>68,597</u>	<u>77,096</u>	<u>(8,499)</u>
Total liabilities	<u>91,911</u>	<u>97,338</u>	<u>(5,427)</u>
<b>NET ASSETS</b>			
Invested in capital assets	110,337	99,611	10,726
Restricted for expendable sources	33,590	18,135	15,455
Total net assets	<u>\$143,927</u>	<u>\$117,746</u>	<u>\$26,181</u>

This schedule has been prepared from the District's statement of net assets (page 15) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Management's Discussion and Analysis**

(Continued)

June 30, 2006

**Fiscal Year 2006 Compared to 2005**

Cash and short-term receivables consist primarily of funds held at various financial institutions and in the Riverside County Treasury. The changes in the cash position are explained in the statement of cash flows (page 19).

The District's financial position, as a whole, improved during the fiscal year ended June 30, 2006. Its total net assets increased \$26.2 million or about 22.3 percent from the previous year primarily due to a \$3.1 million decrease in cash and cash equivalents and a \$26.1 million increase in capital assets, net of depreciation. The District realized a significant improvement in apportionment revenue due to receipt of Equalization revenue and growth funding, all of which increase the District's base revenue. Accounts receivable have decreased \$1.9 million over fiscal year 2004-05 primarily as a result of the receipt of third quarter state lottery revenue prior to June 30, 2006, and a Basic Skills apportionment adjustment accrual that did not occur in 2005-06. Accounts payable have increased by \$0.6 million over fiscal year 2004-05 primarily due to an increase in construction activity. Finally, the District's Board has designated or reserved unrestricted net assets for such purposes as Federal and State grants, outstanding commitments on contracts, repair and replacement of equipment, capital outlay, insurance reserves, and general reserves for the ongoing financial health of the District.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The statement of revenues, expenses, and changes in net assets presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and nonoperating; and the expenses paid by the District, operating and nonoperating; and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

Changes in total net assets on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods or services provided in return for the operating revenues and to carry out the mission of the District. Total revenue was \$184,853,220 and total expenses were \$158,671,995.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**  
 (in Thousands)

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
<b>Operating revenues</b>			
Tuition and fees	\$14,294	\$ 13,875	\$ 419
Grants and contracts	29,617	29,539	78
Total operating revenues	43,911	43,414	497



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Management's Discussion and Analysis**

(Continued)

June 30, 2006

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

(in Thousands)

(Continued)

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
<b>Operating expenses</b>			
Salaries and benefits	\$ 112,642	\$102,016	\$10,626
Supplies and maintenance	37,831	37,153	678
Depreciation	5,115	4,144	971
Total operating expenses	<u>155,588</u>	<u>143,313</u>	<u>12,275</u>
Loss on operations	<u>(111,677)</u>	<u>(99,899)</u>	<u>11,778</u>
<b>Nonoperating revenues (expense)</b>			
State apportionments	68,270	62,048	6,222
Property taxes	43,803	35,674	8,129
State revenues	4,689	3,844	845
Interest income	4,030	1,624	2,406
Interest expense	(3,036)	(3,333)	297
Other nonoperating revenues	6,128	8,506	(2,378)
Other nonoperating expenses	(48)	(1,609)	1,561
Total nonoperating revenues (expenses)	<u>123,836</u>	<u>106,754</u>	<u>17,082</u>
<b>Other revenues</b>			
State and local capital income	5,270	5,516	(246)
Loss on disposal of assets	8,752	(9)	8,761
Total other revenues	<u>14,022</u>	<u>5,507</u>	<u>8,515</u>
Net increase in net assets	<u>\$ 26,181</u>	<u>\$ 12,362</u>	<u>\$13,819</u>

This schedule has been prepared from the statement of revenues, expenses, and changes in net assets presented on page 17.

**Fiscal Year 2006 Compared to 2005**

Tuition and fees increased \$0.4 million due to an increase in the Health Services Fees from \$10 per Spring term and \$7 per Winter term, representing a 3.0 percent increase over the prior year.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Management's Discussion and Analysis**

(Continued)

June 30, 2006

Grant and contract revenues are related to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. Grants and contracts revenue increased by \$0.8 million primarily as a result of the increased number and size of programs managed by the District.

Interest income, primarily the result of cash held with the Riverside County Treasurer, increased by \$2.4 million due to larger cash balances and higher interest rates. The interest expense relates to interest on loans and notes payable.

For the fourth year, the District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

During fiscal year 2005-06, the District sold the remaining portion of its La Sierra property to The Griffin Homebuilding Group, LLC for a lump sum price of \$9.0 million.

During fiscal year 2005-06, the District purchased property in Riverside using general fund monies for \$3.8 million to serve as the District Office.

During fiscal year 2005-06, the District purchased property at University Avenue and Market Street in Riverside, using proceeds from the sale of its La Sierra property, for \$4.2 million for the Riverside School for the Arts.

During fiscal year 2005-06, the District exercised its purchase option to purchase property located on Market Street in Riverside for \$2.1 million. The property is being used for the Riverside Community College System Office.

#### **Statement of Cash Flows**

The statement of cash flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, its operating cash flows, and shows the cash flows from noncapital financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

The statement of cash flows provides information about cash receipts and payments during the year. This statement also assists the user in assessing the District's ability to meet its obligations as they come due and its need for external financing.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Management's Discussion and Analysis**

(Continued)

June 30, 2006

**Statement of Cash Flows**

(in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash provided by:		
Operating activities	\$(104,666)	\$ (89,229)
Noncapital financing activities	124,019	104,651
Capital financing activities	(26,488)	48,102
Investing activities	<u>4,007</u>	<u>2,657</u>
Net increase (decrease) in cash	(3,128)	66,181
Cash, beginning of year	<u>83,449</u>	<u>17,268</u>
Cash, end of year	<u>\$ 80,321</u>	<u>\$ 83,449</u>

The primary operating receipts are student tuition and fees, federal and state grants, and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source of noncapital related revenue, the new 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 colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

District cash at June 30, 2006 decreased over the same time period as the prior year primarily due to increased capital expenditures.

**Capital Assets**

At June 30, 2006, the District had \$143.1 million invested in a broad range of capital assets including land, land improvements, buildings and improvements, and machinery and equipment (see following table). This amount represents a net increase (including additions and deductions) of \$26.1 million or 22.3 percent over last year.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Management's Discussion and Analysis**

(Continued)

June 30, 2006

**Capital Assets at Year-End  
 (in Millions)**

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
Land	\$ 32.50	\$ 30.20	\$ 2.30
Land improvements	4.95	4.66	.29
Buildings and improvements	104.37	84.59	19.78
Machinery and equipment	18.03	16.66	1.37
Construction in progress	21.38	14.34	7.04
Accumulated depreciation	<u>(38.13)</u>	<u>(33.44)</u>	<u>(4.69)</u>
	<u>\$143.10</u>	<u>\$117.01</u>	<u>\$26.09</u>

Martin Luther King High Tech Center, PE Complex, Relocateable Swing Space, Bridge Space, Business Education Remodel, and the Administration Remodel were completed during the fiscal year ended June 30, 2006 and their total costs of \$14.1 million were added to buildings, land improvements, and machinery and equipment.

Cost related to the Quad Remodel, Moreno Valley and Norco Phase III, Nursing and Science Project, Parking Structure, PE Phase II, and Center for Primary Education projects were added to construction in progress during the year to reflect the work completed through June 30, 2006.

**Long-Term Debt**

The District issued general obligation bonds in 2004-05. Outstanding at June 30, 2006 are:

	Principal June 30, 2005	Current Year Issue	Current Year Repayment	Principal June 30, 2006
General Obligation Bond Series 2004 A & B	\$13,270,000		\$3,750,000	\$ 9,520,000
2005 General Obligation Refunding Bond	<u>58,386,109</u>		970,000	<u>57,416,109</u>
Total general obligation bonds	<u>\$71,656,109</u>		<u>\$4,720,000</u>	<u>\$66,936,109</u>

In addition to these notes, the District has \$2,066,140 in compensated absences payable, \$657,322 for load banking liability, and \$1,144,395 for golden handshake retirement liability.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Management's Discussion and Analysis**

(Continued)

June 30, 2006

#### **District's Fiduciary Responsibility**

The District is the trustee, or fiduciary for certain amounts on behalf of students, clubs, and donors, for student loans and scholarships. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the District's entity-wide financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### **General Fund Budgetary Highlights**

Over the course of the year, the District revises the annual operating budget as it attempts to address unexpected changes in revenues and expenditures.

The District's final revised budget for the unrestricted general fund anticipated that expenditures would exceed revenue by \$7.3 million. The actual results for the year showed expenditures exceeded revenue by \$0.1 million.

The excess was primarily the result of receiving growth apportionment funding, salary and benefits cost savings resulting from vacant positions, and conservative fiscal spending practices employed by District staff.

District-wide credit and non-credit, Full-Time Equivalent Student (FTES) counts, as reported on the annual apportionment attendance report, increased by 1,657 FTES compared to the same reporting period in the prior year. Student enrollment was fully funded through the apportionment process. Of this amount, 1,937 FTES is attributable to the Summer 2006 term but reported as fiscal year-end 2005-06 FTES. The District would have experienced a decline of 280 base FTES had the Summer 2006 FTES not been "rolled back" into fiscal year-end 2005-06. It is speculated, though not definitively determined, that the enrollment decline was caused in part by a strong regional economy and the cumulative effect of two large tuition fee increases in successive years, going from \$11 per unit to \$18 per unit to finally \$26 per unit.

The District was able to maintain a reserve level in the general unrestricted fund within the guidelines established by the California State Chancellor's Office and the Riverside Community College District Board of Trustees.

#### **Economic Factors Affecting the Future of Riverside Community College District**

The District's financial health is directly affected by the economic well-being of the State of California. Funding for California's community colleges improved during 2005-06. The State provided increased funding in a number of areas. The District received Equalization funding of \$1.3 million, credit FTES was funded in full including all of the FTES "rolled back" from Summer 2006, and COLA was provided at 4.23 percent. On the expenditure side, cost pressures continued to mount in areas such as salaries health and welfare benefits. Demand for services remained relatively stable despite a small decline in base enrollment.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

(Continued)

June 30, 2006

The budget outlook is significantly improved for 2006–07. Community colleges will receive an estimated 10.7 percent of the combined K–12 and Community College Proposition 98 revenues, compared to 10.46 percent for 2004–05. Enrollment fees will remain stable at \$26 per credit unit, until December 31, 2006. Thereafter, enrollment fees will decrease to \$20 per credit unit. Enrollment growth is funded at 2.00 percent system-wide and \$97.5 million is provided, system-wide. COLA has been provided at 5.92 percent and Equalization funding has been provided at \$159.4 million system-wide.

A new funding formula for California's community colleges, SB 361, will be implemented in fiscal year 2006-07. The new funding formula replaces Program Based Funding. SB 361 is a simplified yet comprehensive reform to the formulas that allocate general purpose apportionment to the 72 districts. Among its features, SB 361 provides for a basic allocation to each District (foundation grant) as well as equalized funding at or above the 90<sup>th</sup> percentile for credit, noncredit, and enhanced noncredit full-time equivalent students. The credit base and growth rates for fiscal year 2006-07 are \$4,123 and \$4,367, respectively.

We have built the 2006–07 General Fund Budget based upon the following assumptions and incorporating the provisions of SB 361:

- ◆ No growth in credit and noncredit FTES is assumed.
- ◆ Cost of Living Adjustment (COLA) of 5.92 percent for State apportionment funding.
- ◆ Step and column increases will cost approximately \$650,000.
- ◆ No increase is anticipated for nonresident tuition revenue.
- ◆ Student enrollment fees are anticipated to decrease by 8.2 percent due to mid-year decrease to the rate per credit unit; however, the District will bear only 2.0 percent of this decrease.
- ◆ One-time funds from the State Proposition 98 reversion account and State General Purpose one-time funds will be received in the amounts of \$519,000 and \$1.8 million, respectively.
- ◆ Our PERS contribution rate will remain unchanged at 9.12 percent.
- ◆ We anticipate the hiring of 10 new tenure-track positions.
- ◆ Part-time faculty costs are anticipated to increase by \$1.39 million primarily as a result of salary increases.
- ◆ We anticipate hiring 21 new full-time and permanent part-time classified and management positions.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Management's Discussion and Analysis (Continued)**

June 30, 2006

- ◆ Health and welfare benefit costs are anticipated to increase by \$1.27 million.
- ◆ Funds in the amount of \$364,000 have been set aside for the establishment of the Rubidoux Annex.
- ◆ The District has a number of major remodeling and construction projects ongoing in the 2006–07 fiscal year. These projects are funded using State Construction Act funds, Measure C funds, local funds or a combination of these funding sources. These projects include remodeling and equipping the Quadrangle Building (Riverside), Parking Structure – Phase II (Riverside), the planning and working drawing portion of the Phase III build–out at the Norco and Moreno Valley campuses, planning for infrastructure improvements, the planning and working drawing phase of the Nursing/Health Sciences building, and the construction of The Learning Center, formerly known as the Center for Primary Education.
- ◆ Funds have been set aside for new remodel projects and noninstructional equipment needs in the amounts of \$300,000 and \$650,000, respectively.

#### **Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Statements of Net Assets**

	<b>June 30,</b>	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 43,839,650	\$ 31,111,858
Accounts receivable		12,326,465	14,244,161
Prepaid expenses		60,720	66,035
Stores inventory		<u>28,916</u>	<u>31,692</u>
Total current assets		<u>56,255,751</u>	<u>45,453,746</u>
<b>Noncurrent assets</b>			
Restricted cash and cash equivalents		36,480,752	52,336,972
Capital assets, net of depreciation		143,101,654	117,009,573
Land held for sale			<u>284,000</u>
Total noncurrent assets		<u>179,582,406</u>	<u>169,630,545</u>
Total assets		<u>\$235,838,157</u>	<u>\$215,084,291</u>

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

	June 30,	2006	2005
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 8,342,437	\$ 7,711,522
Accrued interest payable		1,246,044	702,325
Deferred revenue		2,976,852	2,767,416
Claims liability		2,476,763	2,415,956
Amounts held in trust on behalf of others		1,033,629	1,011,610
Compensated absences payable, current portion		516,535	408,186
General obligation bond, current portion		6,320,000	4,720,000
Lease obligation, current portion			119,724
Other long-term liabilities, current portion		402,234	385,231
Total current liabilities		<u>23,314,494</u>	<u>20,241,970</u>
<b>Noncurrent liabilities</b>			
Compensated absences payable, noncurrent portion		1,549,605	1,224,562
General obligation bond, noncurrent portion		60,616,109	66,936,109
Net debt premium		5,031,448	5,194,285
Lease obligation, noncurrent portion			2,050,594
Other long-term liabilities, noncurrent portion		1,399,483	1,690,978
Total noncurrent liabilities		<u>68,596,645</u>	<u>77,096,528</u>
Total liabilities		<u>91,911,139</u>	<u>97,338,498</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt		110,337,049	99,611,177
Restricted for:			
Debt service		11,820,288	7,120,038
Capital projects		21,769,681	11,014,578
Total net assets		<u>143,927,018</u>	<u>117,745,793</u>
Total liabilities and net assets		<u>\$235,838,157</u>	<u>\$215,084,291</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Assets**

	For the Years Ended June 30,	2006	2005
<b>Operating revenues</b>			
Tuition and fees		\$ 20,369,130	\$ 20,292,327
Less: scholarship discount and allowance		<u>(6,074,796)</u>	<u>(6,417,038)</u>
Net tuition and fees		14,294,334	13,875,289
Grants and contracts, noncapital:			
Federal		21,480,732	21,441,062
State		<u>8,136,160</u>	<u>8,097,912</u>
Total operating revenues		<u>43,911,226</u>	<u>43,414,263</u>
<b>Operating expenses</b>			
Salaries		89,770,779	80,974,711
Employee benefits		22,870,792	21,041,099
Supplies, materials, and other operating expenses and services		34,503,306	34,910,056
Equipment, maintenance, and repairs		3,327,404	2,243,409
Depreciation		<u>5,115,520</u>	<u>4,143,533</u>
Total operating expenses		<u>155,587,801</u>	<u>143,312,808</u>
Operating loss		<u>(111,676,575)</u>	<u>(99,898,545)</u>
<b>Nonoperating revenues (expenses)</b>			
State apportionments, noncapital		68,269,940	62,048,060
Local property taxes		43,803,016	35,673,624
State taxes and other revenues		4,689,052	3,844,087
Investment income, net		4,029,786	1,604,261
Interest expense on capital-related debt		(3,035,759)	(3,333,271)
Interest income on capital asset-related debt, net			19,883
Other nonoperating revenue		6,127,895	8,506,038
Other nonoperating expense		<u>(48,435)</u>	<u>(1,608,969)</u>
Total nonoperating revenues (expenses)		<u>123,835,495</u>	<u>106,753,713</u>
Gain before other revenues		<u>12,158,920</u>	<u>6,855,168</u>
<b>Other revenues</b>			
State revenues, capital		5,270,334	5,504,033
Local revenues, capital			11,390
Gain (loss) on disposal of assets		<u>8,751,971</u>	<u>(8,967)</u>
Total other revenues		<u>14,022,305</u>	<u>5,506,456</u>
Increase in net assets		26,181,225	12,361,624

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Assets**

	<b>For the Years Ended June 30,</b>	<b>2006</b>	<b>2005</b>
Increase in net assets		\$ 26,181,225	\$ 12,361,624
<b>Net assets</b>			
Beginning of year		<u>117,745,793</u>	<u>105,384,169</u>
End of year		<u>\$143,927,018</u>	<u>\$117,745,793</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Statements of Cash Flows**

<b>For the Years Ended June 30,</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 14,272,219	\$ 14,082,356
Federal grants and contracts	21,449,482	21,324,273
State grants and contracts	9,204,102	9,713,236
Payments to vendors and suppliers	(37,310,057)	(34,795,281)
Payments to (on behalf of) employees	(112,303,511)	(99,658,451)
Other receipts	22,019	104,666
Net cash used in operating activities	<u>(104,665,746)</u>	<u>(89,229,201)</u>
<b>Cash flows from noncapital financing activities</b>		
State apportionments	69,476,010	59,651,549
Property taxes	43,132,892	35,396,678
Other state revenues	5,451,091	3,641,717
Other local revenues	5,958,900	5,961,387
Net cash provided by noncapital financing activities	<u>124,018,893</u>	<u>104,651,331</u>
<b>Cash flows from capital financing activities</b>		
State revenue, capital projects	5,270,334	5,504,033
Local revenue, capital projects		11,390
Other revenue provided for capital financing activities	6,559	2,057,325
Other expenses for capital financing activities	(48,435)	(1,608,969)
Proceeds from sale of capital assets	9,035,971	6,438
Acquisition and construction of capital assets	(31,207,601)	(20,563,306)
Proceeds from government obligation bond		132,055,394
Principal paid on capital debt and leases	(7,053,155)	(66,631,099)
Interest paid on capital debt and leases	(2,492,040)	(2,749,349)
Interest income on capital asset-related debt		19,883
Net cash provided by (used in) capital financing activities	<u>(26,488,367)</u>	<u>48,101,740</u>
<b>Cash flows from investing activities</b>		
Net change in investments		1,535,192
Investment income	4,006,792	1,121,370
Net cash provided by investing activities	<u>4,006,792</u>	<u>2,656,562</u>
Net increase (decrease) in cash and cash equivalents	(3,128,428)	66,180,432
<b>Cash and cash equivalents</b>		
Beginning of year	<u>83,448,830</u>	<u>17,268,398</u>
End of year	<u>\$ 80,320,402</u>	<u>\$ 83,448,830</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Statements of Cash Flows**

<b>For the Years Ended June 30,</b>	<b>2006</b>	<b>2005</b>
<b>Reconciliation of net operating loss to net cash used in operating activities</b>		
Operating loss	\$(111,676,575)	\$(99,898,545)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	5,115,520	4,143,533
Changes in assets and liabilities		
Receivables	788,118	1,731,559
Inventory	2,776	5,180
Prepaid items	5,315	14,799
Accounts payable and accrued liabilities	691,722	2,979,054
Deferred revenue	226,459	(25,957)
Funds held for others	22,019	104,666
Compensated absences and load banking	158,900	1,716,510
Total adjustments	<u>7,010,829</u>	<u>10,669,344</u>
Net cash used in operating activities	<u>\$(104,665,746)</u>	<u>\$(89,229,201)</u>

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

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Notes to Financial Statements**

#### **1. Summary of Significant Accounting Policies**

##### **Financial Reporting Entity**

The Riverside Community College District (the “District”) is a political subdivision of the State of California and provides educational services to the local residents of Riverside County. The District consists of one community college with three campuses located in Riverside, Norco, and Moreno Valley, California. While the District is a political subdivision of the state, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The District operates under a locally elected five-member Board of Trustees form of government.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Riverside Community College District, this includes general operations, child development services, food services, and student-related activities of the District. Additionally, the Riverside Community College District Development Corporation and the Riverside County Schools Financing Corporation are included in the reporting entity.

##### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of their taxes. For financial reporting purposes, the component unit discussed below is reported in the District’s financial statements because of the significance of its relationship with the District. The component unit, although legally a separate entity, is reported in the financial statements as if it were part of the District’s operations because the Board of Trustees of the component unit is essentially the same as the Board of Trustees of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Riverside Community College District Development Corporation is presented in the financial statements as R.C.C.D. Development Corporation Special Revenue Fund.

##### **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in Note 16 to the financial statements. The JPAs are 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 Alliance of Schools for Cooperative Insurance Program (ASCIP).

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

##### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Colleges and Universities*, issued in June and November 1999, respectively. These statements provide a comprehensive entity-wide perspective of the District’s assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The District uses the “business-type” activities reporting requirements of the statements that provide a comprehensive “one-look” at the District’s financial activities. In May 2002, the GASB released Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2004–05 fiscal year as required. The District now follows the financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39.

##### **Basis of Accounting – Measurement Focus**

###### Entity-Wide Financial Statements

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated. The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date.

Exceptions to the accrual basis of accounting are as follows:

Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted. Summer session expenditures through June 30 are recorded as current expenses.

The entity-wide financial statement of activities presents a comparison between operating revenues and operating expenses of the District. Revenues and expenses that are not classified as operating revenues or expenses are presented as nonoperating revenues and expenses. Nonoperating revenues and expenses include state apportionments, property taxes, interest and investment income, or expenses as these sources and uses of funds are derived from the general population and not from operations.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

##### Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, certain grants, entitlements, and donations. Revenue from state apportionments is generally recognized in the fiscal year in which it is apportioned from the state. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

##### State Apportionments

Certain current-year apportionments from the state are based on various financial and statistical information of the previous year. Any prior-year corrections due to the recalculation in February 2007 will be recorded in the year computed by the state; however, an estimate of the corrections has been included in the financial statements, and we anticipate any further correction to be immaterial.

##### Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized. Certain federal and state grants received before the eligibility requirements are met are recorded as deferred revenue.

##### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. Allocations of costs, such as depreciation and amortization, are recognized in the entity-wide financial statements although they are not allocated in individual funds within the District’s financial records.

##### **Cash and Cash Equivalents**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and money market funds with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

##### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the general obligation bond covenants.

##### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end.

##### **Accounts Receivable**

Accounts receivable consist of tuition and fee charges to students and auxiliary services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District 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.

##### **Prepaid Expenditures**

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

##### **Inventory**

Inventory consists primarily of food and supplies within the District's food service fund held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the first-in, first-out 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. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is also capitalized.

When purchased, such assets are recorded as expenditures in the District's governmental funds and capitalized within the entity-wide financial statements. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated cost based on replacement cost or appraised value (assessed value at July 1, 2002). Donated capital assets are capitalized at estimated fair market value on the date donated.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

Depreciation of capital assets is computed and recorded by 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

#### 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 have accumulated the leave and from which the amounts are paid. The noncurrent portion of the liability is monitored but not recorded within the governmental funds. The District also participates in and accrues "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 at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year-of-service credit for each day of unused sick leave.

#### Accrued Liabilities and Long-Term Obligations

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

#### Net Assets

GASB Statements No. 34 and No. 35 report equity as "net assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations.

*Invested in capital assets, net of related debt* represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

*Restricted net assets* include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The District generally uses restricted resources prior to unrestricted resources where appropriate.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

*Unrestricted net assets* represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

#### Operating Revenues and Expenses

Operating revenues include all revenues from programmatic sources. Nonoperating revenues include state apportionments, state and local tax revenues, investment income, and gifts.

#### Classifications of Revenues and Expenses

The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state apportionments, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

*Operating revenues* include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services for auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, and local grants and contracts, and federal appropriations; and (4) interest on institutional student loans.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions such as gifts and contributions and other revenue sources described in GASB Statement No. 35 such as state appropriations and investment income.

Operating expenses are necessary costs to provide the services of the District. Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

#### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. 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 in the period they become available to the District.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies (Continued)

##### Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work–Study, and Stafford Loan programs, as well as other programs funded by the federal government. Financial aid to students is 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 of 1996, and the U.S. Office of Management and Budget’s revised Circular A–133, *Audits of States, Local Governments and Non–Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2006 and 2005, the District distributed \$1,308,429 and \$1,435,220, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.

##### Estimates

The preparation of 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 disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

##### Reclassifications

Certain reclassifications of 2005 account balances have been made to conform to the current year presentation.

#### 2. Deposits and Investments

##### Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000. *California Government Code* Sections 16520 through 16522 require California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency’s deposits.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 2. Deposits and Investment (Continued)

Under provision of the District's investment policy and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also 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.

#### Cash and Cash Equivalents

The carrying amount of the District's deposits at June 30, 2006 and 2005 were \$2,755,296 and \$1,999,236, respectively, and the bank balances totaled \$2,880,363 and \$2,075,826, respectively. Of the balances in the bank at June 30, 2006 and 2005, \$516,253 and \$416,237 is federally insured by the Federal Deposit Insurance Corporation. The uninsured balances were classified as follows:

	June 30,	
	2006	2005
Category 1 – Uncollateralized	\$208,381	\$255,698
Category 2 – Collateralized with securities held by the pledging financial institution	\$0	\$0
Category 3 – Collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name	\$2,155,729	\$1,403,891

The cash held in the County Treasury is uncategorized and the fair value approximates carrying value as shown below. Deposits with the County Treasury are not categorized because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county. The County Treasury holds \$36,004,215 of the Cash in County Treasury in a separate investment account. This account is specifically used to hold the bond proceeds to be used for the District's construction projects. The funds are fully collateralized and the risk of loss is with the County. The underlying value is treated the same as the other cash held by the County.

	June 30,	
	2006	2005
Cash in County Treasury	\$77,565,106	\$81,449,594
Cash on hand and in bank	2,755,296	1,999,236
Total cash and cash equivalents	\$80,320,402	\$83,448,830

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**3. Accounts Receivables**

Receivables at June 30, 2006 consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Federal government		
Grants and contracts	\$ 2,611,114	\$ 2,579,864
State government		
Apportionment	1,175,217	2,381,287
Lottery	897,935	1,659,974
Categorical and other state sources	2,601,198	3,420,566
Local government		
Interest	568,053	545,059
Property taxes	2,650,019	1,979,895
Foundation	70,036	112,149
Other local sources	<u>1,752,893</u>	<u>1,565,367</u>
	<u>\$12,326,465</u>	<u>\$14,244,161</u>

**4. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 30,199,218	\$ 2,303,479		\$ 32,502,697
Construction in progress	<u>14,342,285</u>	<u>21,037,262</u>	<u>\$14,001,509</u>	<u>21,378,038</u>
Total capital assets not being depreciated	<u>44,541,503</u>	<u>23,340,741</u>	<u>14,001,509</u>	<u>53,880,735</u>
Capital assets being depreciated				
Land improvements	4,660,871	286,491		4,947,362
Buildings and improvements	84,585,492	19,783,838		104,369,330
Machinery and equipment	<u>16,657,556</u>	<u>1,798,040</u>	<u>424,609</u>	<u>18,030,987</u>
Total capital assets being depreciated	<u>105,903,919</u>	<u>21,868,369</u>	<u>424,609</u>	<u>127,347,679</u>
Total capital assets	<u>150,445,422</u>	<u>45,209,110</u>	<u>14,426,118</u>	<u>181,228,414</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**4. Capital Assets (Continued)**

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Less accumulated depreciation				
Land improvements	\$ 4,239,936	\$ 102,336		\$ 4,342,272
Buildings and improvements	19,983,918	2,797,429		22,781,347
Machinery and equipment	9,211,995	2,215,755	\$ 424,609	11,003,141
Total accumulated depreciation	<u>33,435,849</u>	<u>5,115,520</u>	<u>424,609</u>	<u>38,126,760</u>
Net capital assets	<u>\$117,009,573</u>	<u>\$40,093,590</u>	<u>\$14,001,509</u>	<u>\$143,101,654</u>

Depreciation expense for the year was \$5,115,520.

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated				
Land	\$ 29,206,770	\$ 992,448		\$ 30,199,218
Construction in progress	6,677,496	16,227,882	\$8,563,093	14,342,285
Total capital assets not being depreciated	<u>35,884,266</u>	<u>17,220,330</u>	<u>8,563,093</u>	<u>44,541,503</u>
Capital assets being depreciated				
Land improvements	4,660,871			4,660,871
Buildings and improvements	76,022,399	8,563,093		84,585,492
Machinery and equipment	13,473,587	3,342,976	159,007	16,657,556
Total capital assets being depreciated	<u>94,156,857</u>	<u>11,906,069</u>	<u>159,007</u>	<u>105,903,919</u>
Total capital assets	<u>130,041,123</u>	<u>29,126,399</u>	<u>8,722,100</u>	<u>150,445,422</u>



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**4. Capital Assets (Continued)**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Less accumulated depreciation				
Land improvements	\$ 4,166,249	\$ 73,687		\$ 4,239,936
Buildings and improvements	18,132,722	1,851,196		19,983,918
Machinery and equipment	7,136,947	2,218,650	\$ 143,602	9,211,995
Total accumulated depreciation	<u>29,435,918</u>	<u>4,143,533</u>	<u>143,602</u>	<u>33,435,849</u>
Net capital assets	<u>\$100,605,205</u>	<u>\$24,982,866</u>	<u>\$8,578,498</u>	<u>\$117,009,573</u>

Depreciation expense for the year was \$4,143,533.

**5. Land Held for Sale**

During the year ended June 30, 2004, the District signed an agreement with the Riverside County Education Foundation (RCEF) for the option to purchase land owned by the District. RCEF subsequently assigned its interest in the purchase option to the Griffin Homebuilding Group, LLC. The option was exercised during the year ended June 30, 2006.

**6. Short-Term Debt – Tax Anticipation Notes**

The District issues tax anticipation notes in order to provide for operational expenses until property tax revenues are received. Short-term debt activity for the years ended June 30, 2006 and 2005 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation note – June 30, 2006	\$-0-	\$2,730,000	\$2,730,000	\$-0-
Tax anticipation note – June 30, 2005	\$-0-	\$4,555,000	\$4,555,000	\$-0-

**7. Operating Transfers**

Operating transfers between District governmental funds are used to (1) move revenue 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**8. Accounts Payable**

Accounts payable consisted of the following:

	June 30,	
	2006	2005
Accrued salaries and benefits	\$1,127,213	\$ 948,053
Other governmental entities	913,928	737,112
Other	<u>6,301,296</u>	<u>6,026,357</u>
Total	<u>\$8,342,437</u>	<u>\$7,711,522</u>

**9. Deferred Revenue**

Deferred revenue consisted of the following:

	June 30,	
	2006	2005
State categorical aid	\$ 476,606	\$ 228,032
Summer enrollment fees	897,463	919,578
Theater subscriptions	208,583	256,087
Other local	<u>1,394,200</u>	<u>1,363,719</u>
Total	<u>\$2,976,852</u>	<u>\$2,767,416</u>

**10. Long-Term Debt**

**Long-Term Liabilities**

The changes in the District's long-term obligations consisted of the following:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General Obligation Bond Series 2004 A & B	\$13,270,000		\$ 3,750,000	\$ 9,520,000	\$ 4,500,000
2005 General Obligation Refunding Bond	<u>58,386,109</u>		970,000	<u>57,416,109</u>	<u>1,820,000</u>
Total general obligation bonds	<u>71,656,109</u>		<u>4,720,000</u>	<u>66,936,109</u>	<u>6,320,000</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**10. Long-Term Debt (Continued)**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
Other liabilities					
Compensated absences	\$ 1,632,748	\$433,392		\$ 2,066,140	\$ 516,535
Load banking	550,350	240,550	\$ 133,578	657,322	20,769
Golden Handshake	1,525,859		381,464	1,144,395	381,465
Capital leases	2,170,318		2,170,318		
Total other liabilities	5,879,275	673,942	2,685,360	3,867,857	918,769
Total long-term debt	\$77,535,384	\$673,942	\$7,405,360	\$70,803,966	\$7,238,769

The changes in the District's long-term obligations consisted of the following:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
Notes payable					
Certificates of participation – 2001 Series B	\$ 9,595,000		\$ 9,595,000		
Certificates of participation – 2001 Series 1993	1,720,000		1,720,000		
Total notes payable	11,315,000	\$ -	11,315,000	\$ -	\$ -
General Obligation					
Bond Series 2004A & B		55,205,000	41,935,000	13,270,000	3,750,000
2005 General Obligation Refunding Bond		68,181,109	9,795,000	58,386,109	970,000
Total general obligation bonds	-	123,386,109	51,730,000	71,656,109	4,720,000
Other liabilities					
Compensated absences	1,462,748	170,000		1,632,748	408,186
Load banking	529,699	192,618	171,967	550,350	3,766
Golden Handshake		1,907,324	381,465	1,525,859	381,465
Capital leases	2,281,417		111,099	2,170,318	119,724
Total other liabilities	4,273,864	2,269,942	664,531	5,879,275	913,141
Total long-term debt	\$15,588,864	\$125,656,051	\$63,709,531	\$77,535,384	\$5,633,141

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 10. Long-Term Debt (Continued)

##### Description of Debt

In October 2001, the District issued \$10,585,000 of certificates of participation (2001 Series B) to refund the 1989 and 1993 certificates of participation. The certificates mature through June 2018. At June 30, 2004, the balance outstanding was \$9,595,000. These certificates were defeased as part of the general obligation bond issue. Funds from the issue have been deposited into an irrevocable escrow account for subsequent repayment of the certificates at the appropriate dates. The balance of funds in the escrow account approximated \$9,123,000 at June 30, 2005.

In an election on March 2, 2004, the sale of \$350,000,000 principal amount of general obligation bonds of the District were authorized. 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.

Series A Bonds were issued in the aggregate principal amount of \$55,205,000 with interest rates ranging from 4 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 (1993 Financing Project) (the "1993 Certificates"), and to pay certain costs of the bond issue. The refunded bonds are considered defeased. This current refunding was undertaken to decrease total debt service payments over the next 13 years by \$2,762,260. Series B Bonds were issued in the amount of \$9,795,000 with interest rates ranging from 3.5 to 4.5 percent and were used to advance refund the District's outstanding certificates of participation (2001 Refunding Project) Series B (the "2001 Certificates"). The refunded bonds are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$2,298,036 and to obtain an economic gain of \$237,565. Upon issuance of Series A and B Bonds, the District's certificates of participation were refunded.

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.

Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. Series B Bonds are not subject to redemption prior to maturity.

On April 19, 2005, the Board of Trustees adopted a resolution to issue bonds. On May 17, 2005, the District issued 2005 General Obligation Refunding Bonds with interest rates ranging from 3 to 5 percent. The proceeds of the bonds were used to advance refund a portion of the outstanding principal amount of the general obligation bonds. Principal and interest on the refunded debt will be paid until such time as they can be redeemed on August 1, 2014. The refunded bonds were the Series A Bonds issued as a result of voter authorization to issue and sell \$350,000,000 principal amount of general obligation bonds including the cost of issuance of the bonds except for \$3,475,000 of the debt. The refunded bonds are considered defeased.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 10. Long-Term Debt (Continued)

The bonds issued are current interest bonds and capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2005. The current interest bonds cannot be redeemed prior to August 1, 2016. The capital appreciation bonds accrete interest, compounded semiannually on February 1 and August 1 of each year from the date of delivery commencing August 1, 2005. The capital appreciation bonds can only be redeemed upon maturity. The payment of the principal and interest on the bonds is guaranteed under an insurance policy issued concurrently with the delivery of the bonds. These bonds are considered general obligations of the District and are payable solely from proceeds of *ad valorem* taxes which are pledged to the repayment. The bonds issued with a premium in the amount of \$7,689,321 and debt issue cost of \$807,172, both of which will be amortized over the term of the bonds.

Net debt premium consists of the following:

	June 30, 2006	June 30, 2005
Deferred loss on refunding	\$ 4,073,935	\$ 4,414,941
Debt issue costs	871,827	920,262
Debt premium	(9,977,210)	(10,529,488)
Net unamortized debt premium	\$(5,031,448)	\$ (5,194,285)

The balances above are amortized over periods ranging from 2-24 years using the straight-line method. During the year ended June 30, 2006, amortization for the deferred loss on refunding was \$341,006 and is recorded in interest expense; amortization for the debt issue costs was \$48,435 and is recorded in debt issue costs; and amortization of the debt premium was \$552,278 and is included in interest income. There was no amortization during the year ended June 30, 2005.

The District has utilized a capital lease purchase agreement with option to purchase real property. The lease purchase agreement anticipated payment through 2017 unless the option was exercised. The District exercised the option during the year ended June 30, 2006.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**10. Long-Term Debt (Continued)**

**General Obligation Bonds**

Principal payments on this issue for the next five years and thereafter are as follows:

	2005 Refunding Bonds Principal Amount	2004 Series A Principal Amount	2004 Series B Principal Amount	Total
For the years ending June 30,				
2007	\$ 1,820,000		\$4,500,000	\$ 6,320,000
2008	475,000		1,545,000	2,020,000
2009	1,260,000			1,260,000
2010	1,495,000			1,495,000
2011	1,740,000			1,740,000
2012 – 2016	4,661,109	\$2,930,000		7,591,109
2017 – 2021	20,195,000	105,000		20,300,000
2022 – 2026	25,770,000	195,000		25,965,000
2027 – 2030		245,000		245,000
	<u>\$57,416,109</u>	<u>\$3,475,000</u>	<u>\$6,045,000</u>	<u>\$66,936,109</u>

**Capital Leases**

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

Balance, July 1, 2004	\$3,550,076
Payments	<u>278,438</u>
Balance, June 30, 2005	3,271,638
Exercised option to purchase	<u>3,271,638</u>
Balance, June 30, 2006	<u>\$ -0-</u>

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Notes to Financial Statements**

#### **11. Post-Employment Health Care Benefits**

In accordance with Board policy 3097 – 4097, the District will continue to pay medical benefits for employees retiring at age 55 with ten or more years of service. These benefit payments will continue until the employee reaches age 65. In addition, the District has entered into agreements with former Board members and various retired employees whereby the District will continue to pay medical benefits and life insurance for the remainder of their lives.

On June 30, 2006 and 2005, there were 51 and 58 retirees eligible to receive post-employment health care benefits, respectively. The estimated future cost to the District at June 30, 2006 and 2005 is approximately \$3,500,000 and \$3,600,000, respectively. This amount is calculated based on expected years until either age 65 or a 15-year life expectancy times the current insurance rates. No actuarial evaluation has been performed.

Expenditures for post-employment benefits are recognized on a pay-as-you-go basis as retirees' premiums are paid. During the years ended June 30, 2006 and 2005, the District recognized expenditures of \$734,780 and \$711,199, respectively, related to post-employment health care benefits.

#### **12. Risk Management – Claims**

##### **Description**

Some of the District's risk management activities are recorded in the Health and Liability Self-Insurance Fund and the Workers' Compensation Self-Insurance Fund. The purpose of the Health and Liability Self-Insurance Fund is to administer the employee life and health programs and property and liability program of the District on a cost-reimbursement basis. The funds account for the risk financing activities of the District but do not constitute a transfer of risk from the District.

Significant losses are covered by commercial insurance and/or coverage by joint powers authorities. The District maintained a self-insurance retention (SIR) of \$250,000 for employee health risks, \$100,000 for liability and property risks, and \$350,000 for workers' compensation risks. There have been no significant reductions in insurance coverage for the District's insured programs or the Health Maintenance Organization programs used by the District.

##### **Claims Liabilities**

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**12. Risk Management – Claims (Continued)**

**Unpaid Claims Liabilities**

The fund 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, 2004 to June 30, 2006:

Liability balance, July 1, 2004	\$ 1,779,919
Claims and changes in estimates	3,666,549
Claims payments	<u>(3,030,512)</u>
Liability balance, June 30, 2005	2,415,956
Claims and changes in estimates	4,028,096
Claims payments	<u>(3,967,288)</u>
Liability balance, June 30, 2006	<u>\$ 2,476,764</u>

Cash and investments available to pay claims at June 30, 2006 and 2005 were \$5,682,338 and \$4,405,710, respectively.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; injuries to students, campus visitors, or employees; natural disasters; medical claims of District employees; and employment-related liabilities. The District maintains Internal Service Funds to account for and finance its uninsured risks of loss.

All funds of the District, with the exception of the Expendable Trust, the Riverside Community College District Development Corporation, Bond Interest and Redemption Fund, the certificates of participation 1993 Debt Service Fund, and the certificates of participation 2001 Capital and Debt Service Funds, participate in the program and payments are made to the fund based on estimates of the amounts needed to fund prior year and current year claims and to establish a reserve for losses relating to catastrophes. This liability is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2006, the reserve totaled \$3,247,479.

**13. Employee Retirement Systems**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 13. Employee Retirement Systems (Continued)

##### State Teachers' Retirement System

###### Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half-time or more, the member will automatically become a member of the DB Plan.

###### Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the DB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 13. Employee Retirement Systems (Continued)

##### Annual Pension Cost

The District's total contribution to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$4,399,919, \$3,850,938 and \$3,468,997, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the state. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

##### **CalPERS**

##### Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Riverside Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of two percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. 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, California 95814.

##### Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. CalPERS approved a school employer contribution rate of 9.116 for the fiscal year 2005-06 and 9.952 for the fiscal year 2004-05.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 13. Employee Retirement Systems (Continued)

##### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004 were \$2,330,410, \$2,291,598, and \$2,256,154, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2004 actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense), (b) an overall growth in payroll of 3.75 percent annually, and (c) an inflation component of 3.50 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

##### **On Behalf Payments**

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$2,408,236 (4.517 percent of salaries subject to STRS) for June 30, 2006 and \$2,108,307 (4.517 percent of salaries subject to STRS) for the year ended June 30, 2005 and \$0 (zero percent of salaries subject to PERS) for the years ended June 30, 2006 and 2005. A contribution to CalPERS was not made for the years ended June 30, 2006 and 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the California Community College's Annual Financial and Budget Report (CCFS-311). These amounts also have not been recorded in these financial statements.

#### 14. Functional Expenses

Functional expenses for the year ended June 30, 2006 were as follows:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 56,284,994	\$3,120,078	\$ 339,202		\$59,744,274
Academic support	28,238,614	7,770,073	420,033		36,428,720
Student services	12,650,613	1,622,924	73,013		14,346,550
Plant operations and maintenance	5,134,222	3,272,285	188,517		8,595,024
Instructional support services	3,585,236	379,588	78,933		4,043,757

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**14. Functional Expenses (Continued)**

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Community services and economic development	\$ 1,206,536	\$ 449,845	\$ 19,359		\$ 1,675,740
Ancillary services and auxiliary operations	5,541,356	2,427,118	484,442		8,452,916
Physical property and related acquisitions		333,326	1,723,905		2,057,231
Depreciation				\$5,115,520	5,115,520
Financial aid awarded students		15,128,069			15,128,069
	<u>\$112,641,571</u>	<u>\$34,503,306</u>	<u>\$3,327,404</u>	<u>\$5,115,520</u>	<u>\$155,587,801</u>

Functional expenses for the year ended June 30, 2005 were as follows:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 51,108,371	\$ 2,386,212	\$ 749,239		\$ 54,243,822
Academic support	24,836,627	7,839,810	641,273		33,317,710
Student services	11,693,834	1,730,445	160,228		13,584,507
Plant operations and maintenance	4,869,402	2,616,765	216,785		7,702,952
Instructional support services	3,308,820	380,108	182,344		3,871,272
Community services and economic development	1,068,699	333,945	22,316		1,424,960
Ancillary services and auxiliary operations	5,130,057	2,181,752	270,284		7,582,093
Physical property and related acquisitions		2,052,284	940		2,053,224
Depreciation				\$4,143,533	4,143,533
Financial aid awarded students		15,388,735			15,388,735
	<u>\$102,015,810</u>	<u>\$34,910,056</u>	<u>\$2,243,409</u>	<u>\$4,143,533</u>	<u>\$143,312,808</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 15. 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 grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2006.

##### 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 pending litigation for which insurance coverage is applicable is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2006. The District could have exposure should the insurance carrier deem a case to be not covered due to various circumstances.

The District acquired real property during the year ended June 30, 2006, and as a result of this acquisition, the District may have potential liability related to relocating/evicting some of the occupants of the building, should amounts provided for in escrow be exceeded.

##### Construction Commitments

The District had the following commitments with respect to the unfinished capital projects:

	June 30, 2006		June 30, 2005	
	Construction in Progress	Remaining Budget	Construction in Progress	Remaining Budget
Quad Remodel-Planning	\$ 844,171	\$ 29,206		
Quad Modernization	4,917,610	12,431,758	\$ 782,382	\$15,828,684
Norco Phase III	378,412	551,588	367,244	17,391,738
Martin Luther King High-Tech Center			8,020,458	957,278
Parking Structure	13,753,249	6,485,565	1,572,883	18,065,210
Moreno Valley Phase III	123,879	1,033,441	31,647	11,689
Nursing and Science Project	151,192	4,931,494	73,116	4,020
Relocatable Swing Space			3,494,555	323,903
Physical Education Phase II	178,298	16,248		
Center for Primary Education	1,031,227	7,266,510		
	<u>\$21,378,038</u>	<u>\$32,745,810</u>	<u>\$14,342,285</u>	<u>\$52,582,522</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 15. Commitments and Contingencies (Continued)

The District has entered into a lease-leaseback with a contractor using the construction delivery method. The project is for the construction of the Center for Primary Education. This project is being jointly constructed with Alvord Unified School District (Alvord). On January 24, 2006 the Board approved a site lease with the contractor for a term of 137 months commencing on March 9, 2006. Lease payments will be made by the contractor to the District at the rate of \$1 per year for fourteen years. The Board approved leasing the site and project from the contractor pursuant to a sublease agreement. The District will be required to make sublease payments to the contractor for the use and occupancy of the site and the project. The sublease requires the District to pay the contractor monthly lease payments of \$45,540 for 136 months and \$26,146 for the 137<sup>th</sup> month subject to adjustment upon guaranteed maximum price of construction services agreement adjustments. At any time during the term of the sublease prepayments on the sublease may be made.

As part of the sublease, the District was granted the option to purchase the entire project at an amount equal to the guaranteed maximum price of the construction services agreement as adjusted during the construction less any sublease payments and prepayments made on the agreement.

The construction services agreement is being jointly constructed with Alvord. The District owns real property approximately three acres in size while Alvord owns approximately 13 contiguous acres. This project is for the purpose of constructing and operating integrated facilities to include a kindergarten through fifth grade elementary school, teacher training, child care and other related facilities (Learning Center). In facilitating the construction, joint use and operation of the Learning Center, the District and Alvord will lease their respective acreage and facilities to be constructed thereon to each other for a term of forty years.

On June 20, 2006, the Board approved a guaranteed maximum price for the District's share of the construction costs for the project of \$8,216,737. The Board has approved use of Measure C funding at \$5,853,105 for the project, the balance to be covered by the District's share of a Governor's Grant. The term of construction of this project is 699 consecutive calendar days beginning March 9, 2006. Construction in progress at June 30, 2006 was \$1,031,227.

#### 16. 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 Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit 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

#### 16. Participation in Public Entity Risk Pools and Joint Powers Authorities (Continued)

The JPAs reported no long-term debt outstanding at June 30, 2006 and 2005. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Current year condensed audited financial information is as follows:

<b>A. Entity</b>	Schools' Excess Liability Fund (SELF)	Riverside Community Colleges – County Superintendent Self-Insurance Program for Employees (RCCCSSIPE)	Riverside Employers/ Employees Plan (REEP)	Alliance of Schools for Cooperative Insurance Programs (ASCIP)
<b>B. Purpose</b>	Provides excess liability and workers' compensation insurance for its members.	Provided workers' compensation for its members from 1978–1995. Currently handles the runoff of existing claims for that period.	Provides dental insurance for its members.	Provides excess property and liability insurance for its members.
<b>C. Participants</b>	Various educational districts statewide.	Various educational districts in Riverside County.	Various educational districts in Riverside County.	Various educational districts statewide.
<b>D. Governing Board</b>	Representatives from each member district.	Representatives from each member district.	Representatives from each member district.	Representatives from each member district.
<b>E. Condensed Audited Financial Information Follows</b>	(SELF) June 30, 2005*	(RCCCSSIPE) June 30, 2005*	(REEP) June 30, 2005*	(ASCIP) June 30, 2005*
Assets	\$ 177,635,435	\$2,693,230	\$ 10,977,539	\$108,715,729
Liabilities	(174,412,337)	(720,879)	(7,593,854)	(78,635,152)
Fund equity	<u>\$ 3,223,098</u>	<u>\$1,972,351</u>	<u>\$ 3,383,685</u>	<u>\$ 30,080,577</u>
Revenues	\$ 38,195,479	\$ 222,517	\$ 77,759,196	\$ 59,625,187
Expenses	<u>(60,768,157)</u>	<u>75,166</u>	<u>(78,928,390)</u>	<u>(52,667,141)</u>
Net increase (decrease) in fund equity	<u>\$ (22,572,678)</u>	<u>\$ 297,683</u>	<u>\$ (1,169,194)</u>	<u>\$ 6,958,046</u>

\*Most recent information available.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

#### 17. Bookstore Agreement

The District extended its 1999 agreement with Barnes and Noble College Bookstores, Inc. to operate and provide services for the District's bookstores for an additional two-year term from October 1, 2002 through September 30, 2004. Unless the termination provisions are exercised by the District's Board of Trustees, this agreement will automatically extend for additional one-year terms beginning on October 1, 2004. As of June 30, 2006, the District has not terminated the agreement. Anticipated receipts through September 30, 2006 are \$131,250.

#### 18. Foundation

The Riverside Community College District Foundation (the "Foundation"), whose purpose is to provide support to the District, is a separate not-for-profit 501(c)(3) organization. The Foundation has been determined to not be a component unit of the District. The Foundation received a separate audit report for the fiscal years ended June 30, 2006 and 2005. A summary of their report is presented below:

	June 30,	
	2006	2005
<b>Assets</b>	\$4,494,587	\$4,281,796
<b>Liabilities</b>	400,878	136,777
Net assets	\$4,093,709	\$4,145,019
	June 30,	
	2006	2005
<b>Changes in net assets</b>		
Revenues	\$1,231,539	\$1,332,075
Expenses	1,282,849	1,286,462
Increase (decrease) in net assets	\$ (51,310)	\$ 45,613

#### 19. Other Transactions

##### Related Party Transactions

During the year ended June 30, 1999, the District entered into an agreement with Riverside Community College District Foundation in which the Foundation is to reimburse the District \$400,000 for a building purchased by the District to be utilized jointly by the District and the Foundation. The Foundation has reimbursed the District. Ownership of the building remains with the District and the Foundation will lease the property at a cost of \$1 per year until November 30, 2008.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**20. Operating Leases**

The District's future minimum rental commitments of a vehicle, copiers, Dental Clinic, warehouse buildings, and March Education Center accounted for as operating leases at June 30, 2006, are as follows:

Year ending June 30,	
2007	\$ 191,117
2008	207,283
2009	46,374
2010	33,624
2011	<u>25,218</u>
Total	<u>\$503,616</u>

Rental expense paid during the years ended June 30, 2006 and 2005 was \$116,471 and \$68,569, respectively.

**21. Early Retirement Incentive Program**

In June 2004, the District adopted, under California Government Code Sections 53215 - 53224, an early retirement incentive program in the form of a qualified governmental defined benefit plan for the benefit of eligible academic and classified employees. To be eligible, the employee had to be a full-time equivalent employee, be at least 55 years of age, completed ten years of employment and terminated employment as of August 31, 2004 for classified and Tier I academic employees and December 31, 2004 for Tier II academic employees. For academic employees, the supplemental retirement benefits are in addition to the benefits employees will receive from the California State Teachers' Retirement System. Nineteen academic employees and eight classified employees elected to participate in the early retirement incentive program. During the year ended June 30, 2005, the District fully funded the classified portion of the plan in the amount of \$80,800. The academic portion of the plan is to be paid in five annual installments of \$381,465. The schedule of remaining retirement costs is as follows:

For the year ending June 30,	
2007	\$ 381,465
2008	381,465
2009	<u>381,465</u>
	<u>\$1,144,395</u>

**SUPPLEMENTARY INFORMATION**

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### District Organization

June 30, 2006

The Riverside Community College District was founded in 1916 and is comprised of an area approximately 440 square miles in the western portion of Riverside County. Riverside Community College District is a California public community college fully accredited by the Western Association of Schools and Colleges.

#### Board of Trustees

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Mark Takano	President	2008
Mr. Jose Medina	Vice President	2006
Ms. Kathleen Daley	Secretary	2006
Ms. Mary Figueroa	Member	2008
Ms. Grace Slocum	Member	2006

#### Administration

Dr. Salvatore G. Rotella	Chancellor
Dr. Ray Maghroori	Vice Chancellor, Academic Affairs
Dr. James L. Buysse	Vice Chancellor, Administration and Finance
Dr. Linda Lacy	Vice Chancellor, Student Services and Operations

*See accompanying note to supplementary information.*

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Schedule of Expenditures of Federal Awards**

June 30, 2006

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Catalog Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education:</b>			
<b>STUDENT FINANCIAL AID CLUSTER:</b>			
SEOG – administration costs	84.007		\$ 46,144
Supplemental Education Opportunity Program – SEOG	84.007		730,012
Pell Program	84.063		12,387,635
Pell – administration costs	84.063		41,888
Federal Work Study Program – administration costs	84.033		30,425
Federal Work Study	84.033		510,752
Federal Family Education Loans	84.032		1,308,429
<b>HIGHER EDUCATION ACT:</b>			
Title V – Moreno Valley	84.031S		457,278
Title V – Norco	84.031S		544,048
Title V – Riverside	84.031S		519,442
Business and International Education Projects Title VI	84.153A		58,516
Student Support Services – TRIO	84.042		144,589
Talent Search – TRIO Norco	84.044		168,456
Talent Search – TRIO Moreno Valley	84.044		194,564
Upward Bound	84.047		321,951
Veteran Outreach Program – administration	84.064		4,939
Fund for Improvement of Post-Secondary Education (FIPSE)	84.116		104,058
GEAR-Up/Passport Plus	84.334A		964,371
Child Care Access Means Parents in School (CCAMPIS)	84.335A		10,485
Passed through from University of California, Riverside			
Teacher Quality Enhancement Grants	84.336	*	118,331
Passed through from Chaffey Community College			
Title V – Higher Education Institutional Aid	84.031S	*	207,193
<b>REHABILITATION ACT:</b>			
Passed through from Riverside County Department of Rehabilitation			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	*	216,854

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Schedule of Expenditures of Federal Awards**

June 30, 2006

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Catalog Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>ELEMENTARY AND SECONDARY EDUCATION</b>			
ACT:			
Center for Primary Education – General Plan	84.215		\$ 28,488
Riverside School of Arts – Planning and Design Development	84.215K		223,260
<b>CARL PERKINS VOCATIONAL AND TECHNOLOGY EDUCATION AMENDMENT:</b>			
Tech-Prep Demonstration Grants (Gateway to College) Passed through from California Community Colleges Chancellor’s Office Vocational Technology Education Act IIA – VTEA	84.353A		16,438
	84.048	03929	<u>1,475,356</u>
Total U.S. Department of Education			<u>20,833,902</u>
<b>U.S. Department of Health and Human Services:</b>			
Nurse Education, Practice, and Retention	93.359		267,955
CalWORKS New Visions Lifelong Learning Project	93.647		80,611
Health Care and Other Facilities HRSA	93.887		111,586
Medical Assistance Program (Medi-Cal Administrative Activities)	93.778		8,505
Adoption Assistance	93.659		3,882
Passed through from California Community Colleges Chancellor’s Office			
Foster Care Education Program	93.658	*	74,016
Temporary Assistance for Needy Families (TANF)	93.558	*	120,655
Passed through from California Community Colleges Foundation			
Independent Living Program	93.674	*	573,348
Passed through from Yosemite Community College ECS Consortium Grant			
	93.575	*	<u>35,715</u>
Total U.S. Department of Health and Human Services			<u>1,276,273</u>
<b>U.S. Department of Labor:</b>			
<b>WORKFORCE INVESTMENT ACT:</b>			
Passed through from California Department of Education (CDE)			
Post-Assistance Self-Sufficiency Services (CalWORKS)	17.258	*	<u>109,460</u>
Total U.S. Department of Labor			<u>109,460</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Schedule of Expenditures of Federal Awards**

June 30, 2006

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Catalog Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Defense:</b>			
Procurement Assistance Center (PAC)	12.002		\$ <u>144,248</u>
<b>National Science Foundation:</b>			
Academic Success Project – NSF Passed through from California State University, San Bernardino	47.070		29,643
Education and Human Resources	47.076	*	<u>82,205</u>
Total National Science Foundation			<u>111,848</u>
<b>National Aeronautics and Space Administration:</b>			
Technology Transfer	43.002		<u>19,397</u>
<b>U.S. Department of Agriculture:</b>			
Hispanic Serving Institutions Education Grants (Water Quality Research) Passed through from California Department of Education (CDE)	10.223		1,398
Child and Adult Care Food Program	10.558	*	13,091
Upward Bound – Summer Food Reimbursement	10.559	*	<u>1,423</u>
Total U.S. Department of Agriculture			<u>15,912</u>
<b>U.S. Department of Commerce:</b>			
Market Developer Cooperator Program – CITD	11.112		<u>101,553</u>
<b>Corporation for National and Community Service:</b>			
Passed through from Maricopa Community College SAFE (Supporting Actions for Engagement)	94.005	*	12,635
Passed through from California Community Colleges Foundation AmeriCorps	94.006	*	<u>156,723</u>
Total Corporation for National and Community Service			<u>169,358</u>
<b>Corporation for National and Community Service:</b>			
Passed through from California State University Fullerton Auxiliary Services Corporation Small Business Development Center	59.037	*	<u>77,804</u>
Total Federal Programs			<u>\$22,859,755</u>

\* Pass-Through Entity 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, 2006

<b>Program</b>	<b>Program Entitlement</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Total Entitlement</b>
Board Financial Assistance Program (BFAP)	\$ 126,372		\$ 126,372
Basic Skills			
Part-Time Faculty Insurance	7,781		7,781
Part-Time Faculty Office Hours	135,590		135,590
Part-Time Faculty Compensation	1,083,773		1,083,773
Partnership for Excellence	604,250		604,250
State Lottery	3,344,422		3,344,422
Homeowner Property Tax Relief	452,623		452,623
Timber Tax	1,314		1,314
ETP Training	57,741		57,741
ETP Retraining	53,779		53,779
Extended Opportunity Program and Services – EOPS	679,914		679,914
Extended Opportunity Program and Services – EOPS/CARE	87,552		87,552
Disabled Students Program and Services – DSPS	1,409,054		1,409,054
Butte Community College Video Captioning – DSPS		\$ 13,137	13,137
Telecommunications Technology Infrastructure Program – TCO	15,635	39,534	55,169
Telecommunications Technology Infrastructure Program Plan E – Library Automation	36,697	751	37,448
Instructional Equipment and Library Material	590,942		590,942
Associate Degree Nursing Enrollment Growth	63,937	2,787	66,724
Board Financial Assistance Program	873,689		873,689
Hazardous Substances Program		126,640	126,640
Matriculation Grant	1,066,948		1,066,948
Foster Care Education Program	68,432		68,432
Middle College High School	266,212		266,212
Economic Development – Center for Applied Computer Technology	198,184		198,184
California Alliance for Digital Manufacturing	52,445		52,445
Economic Development – Center for International Trade Development	178,875		178,875
Teacher Reading and Development Program			
Economic Development – Center for International Trade Development State Leadership	178,875		178,875

*See accompanying note to supplementary information.*

<b>Program Revenues</b>				
<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Accounts Payable/ Deferred Revenue</b>	<b>Total</b>	<b>Program Expenditures</b>
\$ 126,372			\$ 126,372	\$ 126,372
(600,000)			(600,000)	(600,000)
6,650			6,650	6,650
132,534			132,534	132,534
1,083,773			1,083,773	1,083,773
604,250			604,250	604,250
2,907,622	\$ 436,799		3,344,421	3,344,421
452,623			452,623	452,623
1,314			1,314	1,314
57,741			57,741	57,741
10,291	43,488		53,779	53,779
679,914		\$ (4,353)	675,561	675,561
87,552		(328)	87,224	87,224
1,409,054			1,409,054	1,409,054
13,137			13,137	13,137
55,169		(44,533)	10,636	10,636
37,448			37,448	37,448
590,942			590,942	590,942
66,724			66,724	66,724
873,689		(100)	873,589	873,589
8,317			8,317	8,317
1,066,948			1,066,948	1,066,948
34,216	32,134		66,350	66,350
188,063	48,486		236,549	236,549
123,784	77,058		200,842	200,842
19,446	26,980		46,426	46,426
150,255	28,620		178,875	178,875
150,255	28,483		178,738	178,738



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Schedule of Expenditures of State Awards**

For the Year Ended June 30, 2006

<b>Program</b>	<b>Program Entitlement</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Total Entitlement</b>
Staff Diversity	\$ 26,783	\$ 67,219	\$ 94,002
First Five – Training for Children with Special Needs	37,165		37,165
CalWORKS	539,587		539,587
Economic Development – VTEA	42,000		42,000
State Lottery	740,240		740,240
Nursing Capacity Building – Program Expansion/FP1	179,290		179,290
Nursing Capacity Building – Renovation FP1	299,406		299,406
Campus Child Care Tax Bailout	n/a	n/a	
Child Nutrition Program	n/a	n/a	
Cal Grant B			
Cal Grant C			
Governor's Grant	2,444,632		2,444,632
ECS Equipment Project – Moreno Valley		56,960	56,960
ECS Equipment Project – Norco		58,860	58,860
MLK Equipment – State Construction		166,847	166,847
MLK Remodel Construction		24,294	24,294
Quad Modernization State Construction	12,187,000		12,187,000
Scheduled Maintenance 2002/2003		100,685	100,685
<b>Total state awards</b>	<b>\$28,131,139</b>	<b>\$657,714</b>	<b>\$28,788,853</b>

*See accompanying note to supplementary information.*

<b>Program Revenues</b>				
<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Accounts Payable/ Deferred Revenue</b>	<b>Total</b>	<b>Program Expenditures</b>
\$ 94,002		\$ (63,389)	\$ 30,613	\$ 30,613
	\$ 29,218		29,218	29,218
539,587		(24,977)	514,610	514,610
42,000		(42,000)		
279,105	461,136		740,241	740,241
179,290		(127,700)	51,590	51,590
299,406		(198,984)	100,422	100,422
129,652			129,652	129,652
407	113		520	520
1,368,500			1,368,500	1,368,500
52,155			52,155	52,155
1,024,644			1,024,644	1,024,644
15,617	593		16,210	16,210
32,348	4,630		36,978	36,978
166,847			166,847	166,847
5,890			5,890	5,890
1,740,626	2,279,140		4,019,766	4,019,766
100,685			100,685	100,685
<u>\$16,408,844</u>	<u>\$3,496,878</u>	<u>\$(506,364)</u>	<u>\$19,399,358</u>	<u>\$19,399,358</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Schedule of Workload Measures for State Apportionment**  
**Annualized Attendance and Annual Apprenticeship Hours of Instruction**

For the Year Ended June 30, 2006

<b>Categories</b>	<b>Reported Data</b>	<b>Audit Adjustments</b>	<b>Audited Data</b>
<b>A. Credit Full-Time Equivalent Student (FTES)</b>			
Summer	4,106		4,106
Weekly census	16,330		16,330
Daily census	2,633		2,633
Actual hours of attendance	1,563		1,563
Independent study/work experience	1,969		1,969
Subtotal	<u>26,601</u>	-	<u>26,601</u>
<b>B. Noncredit FTES</b>			
Summer	57		57
Actual hours of attendance	66		66
Subtotal	<u>123</u>		<u>123</u>
Total FTES	<u>26,724</u>	-	<u>26,724</u>
<b>C. Basic Skills Courses</b>			
Credit			<u>1,949</u>
<b>D. FTES generated in leased space</b>			
			<u>397</u>
<b>E. Gross square footage</b>			
Existing facilities			<u>910,412</u>

NOTE: The District submitted a revised Apportionment Attendance report subsequent to audit fieldwork. The revised numbers are not reflected above.

*See accompanying note to supplementary information.*

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of Annual Financial and Budget**  
**Report (CCFS-311) with Audited Financial Statements**

For the Year Ended June 30, 2006

	<b>Self-Insurance Fund</b>
June 30, 2006 Annual Financial and Budget Report (Form CCFS-311) fund balances	<u>\$2,415,724</u>
Adjustments and reclassifications increasing (decreasing) fund balances:	
Overstatement of accounts receivable	(15,476)
Understatement of claims liability	<u>(168,642)</u>
Net adjustments and reclassifications	<u>(184,118)</u>
June 30, 2006 audited financial statement fund balances	<u><u>\$2,231,606</u></u>

*See accompanying note to supplementary information.*

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **Note to Supplementary Information**

#### **PURPOSE OF SCHEDULES**

##### **A. 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.

##### **B. 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.

##### **C. Schedule of Workload Measures for Program-Based Funding**

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

##### **D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**OTHER INDEPENDENT AUDITORS' REPORTS**

Michael R. Adcock, CPA  
Thomas E. Ahern, CPA  
Linda S. Devlin, CPA  
Janell M. Fratt, CPA  
Wing K. Lau, CPA  
Andrew Steinke, CPA  
Nora L. Teasley, CPA  
A California Limited Liability Partnership  
Certified Public Accountants



Backup V-A-9-d  
January 30, 2006  
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Members

American Institute of  
Certified Public Accountants  
Private Companies  
Practice Section  
Employee Benefit Plan  
Audit Quality Center  
California Society of  
Certified Public Accountants

**Independent Auditors' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Basic  
Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Riverside Community College District  
Riverside, California 92506

We have audited the basic financial statements of Riverside Community College District (the "District") as of and for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance/Audit Committee, District management, Board of Trustees, the California State Chancellor's Office, and the District's federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Ahern • Adcock • Devlin LLP**  
Certified Public Accountants

October 27, 2006

By: Linda S. Devlin, CPA





**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Riverside Community College District  
Riverside, California 92506

**Compliance**

We have audited the compliance of Riverside Community College District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Riverside Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 06-1.

## Internal Control Over Compliance

The management of Riverside Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Finance/Audit Committee, District management, Board of Trustees, the California State Chancellor's Office, and the District's federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ahern • Adcock • Devlin LLP  
Certified Public Accountants

October 27, 2006

By: Linda S. Devlin, CPA



## Independent Auditors' Report on State Compliance

**Board of Trustees**  
Riverside Community College District  
Riverside, California 92506

We have audited the financial statements of Riverside Community College District (the "District") for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, include such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

### General Directives

#### Management Information System Implementation – Required Data Elements

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- ◆ Credit Full-Time Equivalent Student (FTES) in weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- ◆ Noncredit FTES in actual hour of attendance and distance education courses.
- ◆ Credit Student Headcount Data.
- ◆ Gross square footage and FTES in less than 100 percent leased space.

## **Administration**

### Apportionment – Instructional Service Agreements/Contracts

#### *Compliance Requirement*

Community colleges may claim FTES for state funding of classes conducted at a contractor's site and instructed by the contractor's employees (although the classes may also be conducted on District property) if all of the following regulatory requirements are met:

- ◆ Programs are approved by the State Chancellor's Office and courses are part of those approved programs or the District has received delegated authority to separately approve those courses and has done so.
- ◆ Courses are open to all admitted students who meet any approved prerequisites for the courses.
- ◆ Students are under the immediate supervision of a District employee.
- ◆ The District employee possesses valid credentials or meets the minimum qualifications required for the assignment.
- ◆ The District and public or private agency, individual, or group of individuals with whom the District has an instructional services agreement may not receive full compensation for the direct education costs for the conduct of the class from any other source.
- ◆ For all courses conducted under an instructional services agreement, including those pursuant to *California Code of Regulations*, Section 58058, the District must obtain certification verifying that the instructional activity conducted was not fully funded by other sources.

### Apportionment – Residency Determination for Credit Classes

#### *Compliance Requirement*

Each district must act to ensure that only the attendance of California residents is claimed for state support of credit classes.

### Apportionment – Concurrent Enrollment of K-12 Students in Community College Courses

#### *Compliance Requirement*

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the District under this concurrent enrollment arrangement only if it complies with all related *California Education Code* sections.

### Apportionment – Enrollment Fee

#### *Compliance Requirement*

Community college districts are required to report the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.

### Students Actively Enrolled

#### *Compliance Requirement*

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course sections.)

### Fiscal Operations – Salaries of Classroom Instructors (50 Percent Law)

#### *Compliance Requirement*

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.

### Open Enrollment

#### *Compliance Requirement*

Community college districts shall comply with *California Code of Regulations*, Title 5 provisions related to open enrollment by the general public for all courses being submitted for state apportionment funding.

### Minimum Conditions – Standards of Scholarship

#### *Compliance Requirements*

Each district must adopt regulations and procedures consistent with the "Standards of Scholarship" contained in the *California Code of Regulations* and publish statements of those regulations under appropriate headings in their catalogs.

### Student Fees – Instructional Material Fees and Health Fees

#### *Compliance Requirements*

If a district requires students to provide various types of instructional materials, the Board of Trustees of that district must have adopted policies or regulations regarding the authority of the district to require students to provide various types of instructional materials. The policies and regulations must specify the conditions under which such materials will be required, and they must be in accordance with the *California Code of Regulations*. With respect to health fees, the district must advise students of the exemptions from payment of the fees and have a process to ensure that students may claim the exemptions.

## **Student Services**

### Matriculation – Uses of Matriculation Funds

#### *Compliance Requirement*

The District is required to use local funds to support at least 75 percent of the credit matriculation activities with the remaining expenditures claimable against the state credit matriculation allocation. All expenditures related to the allocation, both state and locally funded portions, must be consistent with the District's state-approved matriculation plan and identifiable as matriculation-related activities as authorized by the Seymour-Campbell Matriculation Act of 1986. This 25 percent state funds, 75 percent local funds ratio applies district-wide, not per college or within individual activity groups.

### California Work Opportunity and Responsibility to Kids (CalWORKs)

#### *Compliance Requirement*

Districts are required to expend CalWORKs Program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.

## **Special Programs**

### Extended Opportunity Programs and Services (EOP&S) and Disabled Student Program and Services (DSPS) – Allocation of Costs

#### *Compliance Requirement*

Salaries of instructors teaching FTES generating classes, school counselors providing advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against either EOP&S or DSPS accounts unless their activities require them to perform additional functions for the EOP&S or DSPS programs that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S or DSPS.

## **Educational Services**

### Noncredit Courses

#### *Compliance Requirement*

The District is required to be in compliance with noncredit apportionment criteria. They should have completed a self-assessment for each noncredit course.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

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

Ahern • Adcock • Devlin LLP  
Certified Public Accountants

October 27, 2006

By: Linda S. Devlin, CPA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Summary of Auditors' Results**

June 30, 2006

**Section I – Summary of Independent Auditors' Results**

*Financial Statements*

Type of independent auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Reportable conditions identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness identified?  Yes  No
- Reportable conditions identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$646,540

Auditee qualified as low-risk auditee?  Yes  No

*State Awards*

Internal control over state programs:

- Material weaknesses identified?  Yes  No
- Reportable conditions identified not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for state programs: Unqualified

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**

**Section II – Financial Statement Findings**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Schedule of Audit Findings and Questioned Costs

#### Section III – Federal Awards Findings

**Federal Program Information:** U.S. Department of Education  
Student Financial Aid Cluster – 84.007, 84.032, 84.033, and 84.063

**06-1 Condition:** Refund calculations were calculated incorrectly and some refunds were not returned to the Department of Education in a timely manner.

**Criteria:** When a recipient of Title IV grant or loan assistance withdraws from an institution, during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. The refund calculation is based on the number of days in a term and the date the student withdrew or dropped classes. Title IV refunds are required to be deposited or transferred to the Department of Education as soon as possible, but no later than 30 days after the date the institution determines that the student withdrew.

**Questioned Costs:** Unknown.

**Context:** We noted incorrect drop dates were used for several students during our testing of refund calculations. The date of determination used was the date that the refund calculation was performed instead of the date the last class was officially dropped in certain instances. In addition, we noted two drop reports that were run during Winter semester which listed students who had dropped during Fall semester. The refund calculations for these students were not performed timely.

**Effect:** The miscalculation of refunds resulted in an underpayment of funds to the Department of Education for several students selected for testing. The return of Title IV refunds were not made within the 30-day requirement in certain instances.

**Cause:** The calculation errors were due to backdating the drop dates in the computer and due to human error when determining the correct drop date. The date of determination error was due to not consistently selecting the appropriate determination date. The computer reports run during the Winter semester were done after determining a computer error had occurred in drop reports run during the Fall semester.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**

**Section III – Federal Awards Findings (Continued)**

**Recommendation:** We recommend a responsible individual within the Student Financial Services review the computer reports and computer programming in order to determine drop reports that include all Title IV students who dropped in the specified time period and that all computer programming is in accordance with Department of Education refund calculation requirements. We also recommend the Student Financial Services provide adequate training and supervision for staff responsible for refund calculations.

**Management's Response:** Information Services corrected the error that occurred on the Fall semester drop reports which resulted in the incorrect reporting of students who had withdrawn in a timely manner. Student Financial Services will provide adequate training and supervision of staff responsible for refund calculations.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**

**Section IV – State Awards Findings**

There were no findings representing instances of noncompliance related to the state program laws and regulations that are required to be reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**

**Section II – Financial Statement Findings**

There were no matters to report.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### Summary Schedule of Prior Audit Findings

#### Section III – Federal Awards Findings

**Federal Program Information:** U.S. Department of Education  
Student Financial Aid Cluster – 84.007, 84.032, 84.033, and 84.063

**05-1 Condition:** Refund calculations for the Spring semester were calculated incorrectly and some refunds were not returned in a timely manner.

**Recommendation:** We recommend a responsible individual review refund calculations and recalculate the refunds to ensure accuracy. We also recommend the District include on their calendar the return of Title IV refunds due dates in order to ensure timely deposits.

**Current Status:** Partially implemented. The District corrected the error in the computer programming that caused Spring semester refunds to be calculated incorrectly. A breakdown in the process of calculating refunds still exists. See current year finding 06-1.

**District Response:** The Student Financial Services department will put in place procedures needed to ensure the proper calculation of Title IV refunds and the timely return of Title IV refunds.

**Federal Program Information:** U.S. Department of Education  
Student Financial Aid Cluster – 84.007, 84.032, 84.033, and 84.063

**05-2 Condition:** Reports submitted to the National Student Clearinghouse (NSC) included inaccurate information on the status of students receiving Federal Family Education Loans (FFEL).

**Recommendation:** We recommend the software programming for Datatel be revised in order to capture the correct date.

**Current Status:** Implemented



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**

**Section III – Federal Awards Findings (Continued)**

**Federal Program Information:** U.S. Department of Education  
GEAR-Up/Passport Plus – 84.334A

**05-3 Condition:** The expenses were overstated on the annual report for GEAR-Up.

**Recommendation:** We recommend the personnel responsible for preparing reports review report preparation instructions in order to ensure that information provided is in accordance with report requirements. We also recommend someone other than the person preparing the report review and approve the report prior to submission.

**Current Status:** Implemented

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**

**Section IV – State Awards Findings**

- 05-4 Condition:** The EOP&S Advisory Committee did not meet during the academic year.
- Recommendation:** We suggest that the EOP&S Advisory Committee meet at least annually each academic year.
- Current Status:** Implemented

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Balance Sheet – All Governmental Funds**

June 30, 2006

	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Food Service</b>	<b>Child Development</b>	<b>R.C.C.D. Development Corporation</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$13,361,369	\$1,512,025	\$221,688	\$111,049	\$16,253
Accounts receivable	5,352,238	3,655,537	14,300	39,969	
Due from other funds	85,929	1,106,264	6,539	155	
Prepaid expenses	23,042	37,676			
Stores inventory			28,916		
<b>Total assets</b>	<b><u>\$18,822,578</u></b>	<b><u>\$6,311,502</u></b>	<b><u>\$271,443</u></b>	<b><u>\$151,173</u></b>	<b><u>\$16,253</u></b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 2,770,534	\$1,356,659	\$ 42,897	\$ 50,089	
Due to other funds	2,176,068	316	1,272	927	
Deferred revenue	1,237,131	679,675		778	
<b>Total liabilities</b>	<b><u>6,183,733</u></b>	<b><u>2,036,650</u></b>	<b><u>44,169</u></b>	<b><u>51,794</u></b>	<b><u>\$ -</u></b>
<b>Fund equity</b>					
Fund balances					
Reserved	23,042	4,274,852	28,916		
Unreserved					
Designated	900,000				
Undesignated	11,715,803		198,358	99,379	16,253
<b>Total fund equity</b>	<b><u>12,638,845</u></b>	<b><u>4,274,852</u></b>	<b><u>227,274</u></b>	<b><u>99,379</u></b>	<b><u>16,253</u></b>
<b>Total liabilities and fund equity</b>	<b><u>\$18,822,578</u></b>	<b><u>\$6,311,502</u></b>	<b><u>\$271,443</u></b>	<b><u>\$151,173</u></b>	<b><u>\$16,253</u></b>

<b>Capital Outlay Projects</b>	<b>Bond Interest and Redemption</b>	<b>Totals</b>
\$45,578,045	\$11,820,288	\$72,620,717
2,555,867		11,617,911
1,069,654		2,268,541
		60,718
		28,916
<u>\$49,203,566</u>	<u>\$11,820,288</u>	<u>\$86,596,803</u>

\$ 3,142,545		\$ 7,362,724
		2,178,583
		1,917,584
<u>3,142,545</u>	<u>\$ -</u>	<u>11,458,891</u>

		4,326,810
	11,820,288	12,720,288
<u>46,061,021</u>		<u>58,090,814</u>
<u>46,061,021</u>	<u>11,820,288</u>	<u>75,137,912</u>
<u>\$49,203,566</u>	<u>\$11,820,288</u>	<u>\$86,596,803</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Balance Sheet – Proprietary Funds**

June 30, 2006

	<b>Workers’ Compensation</b>	<b>Health and Liability</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$1,886,736	\$3,815,602	\$5,702,338
Accounts receivable		64,368	64,368
Due from other funds	931		931
Total assets	<u>\$1,887,667</u>	<u>\$3,879,970</u>	<u>\$5,767,637</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Deferred revenue		\$1,059,268	\$1,059,268
Claim liabilities	<u>\$1,581,482</u>	<u>895,281</u>	<u>2,476,763</u>
Total liabilities	1,581,482	1,954,549	3,536,031
<b>Fund equity</b>			
Retained earnings	<u>306,185</u>	<u>1,925,421</u>	<u>2,231,606</u>
Total liabilities and fund equity	<u>\$1,887,667</u>	<u>\$3,879,970</u>	<u>\$5,767,637</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Balance Sheet – Fiduciary Funds**

June 30, 2006

	<b>Associated Students’ Trust</b>	<b>Student Financial Aid</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$1,882,491	\$114,856	\$1,997,347
Accounts receivable	12,048	632,138	644,186
Due from other funds	<u>35,024</u>		<u>35,024</u>
Total assets	<u>\$1,929,563</u>	<u>\$746,994</u>	<u>\$2,676,557</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	\$ 856,657	\$660,358	\$1,517,015
Due to other funds	<u>39,277</u>	<u>86,636</u>	<u>125,913</u>
Total liabilities	<u>895,934</u>	<u>746,994</u>	<u>1,642,928</u>
<b>Fund equity</b>			
Fund balances			
Unreserved			
Undesignated	<u>1,033,629</u>	-	<u>1,033,629</u>
Total fund equity	<u>1,033,629</u>	-	<u>1,033,629</u>
Total liabilities and fund equity	<u>\$1,929,563</u>	<u>\$746,994</u>	<u>\$2,676,557</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Balance Sheet Reconciliation**

June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance and due to student groups:

General funds	\$16,913,697	
Special revenue funds	342,906	
Debt service funds	11,820,288	
Capital project funds	46,061,021	
Internal service funds	2,231,606	
Fiduciary funds	<u>1,033,629</u>	\$ 78,403,147

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	181,228,414	
Accumulated depreciation is	<u>(38,126,760)</u>	143,101,654

Amounts held in trust on behalf of others (fiduciary funds) (1,033,629)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (1,246,044)

Long-term liabilities at year-end consist of:

General obligation bond	(66,936,109)	
Net debt premium	(5,031,448)	
Compensated absences (vacations)	(1,549,605)	
Load banking	(636,553)	
Golden Handshake	<u>(1,144,395)</u>	<u>(75,298,110)</u>

Total net assets \$143,927,018



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Funds**

For the Year Ended June 30, 2006

	General Unrestricted	General Restricted	Food Service	Child Development	R.C.C.D. Development Corporation
<b>Revenues</b>					
Federal revenues	\$ 52,802	\$ 7,777,935		\$ 21,596	
State revenues	72,179,819	7,214,054		130,172	
Local revenues	47,328,097	4,319,175	\$1,221,257	992,400	\$ 17
Total revenues	<u>119,560,718</u>	<u>19,311,164</u>	<u>1,221,257</u>	<u>1,144,168</u>	<u>17</u>
<b>Expenditures</b>					
Current expenditures					
Academic salaries	55,384,964	2,993,932		837,349	
Classified salaries	23,080,254	6,087,509	624,505	165,242	
Employee benefits	20,190,941	2,574,182	229,286	199,107	
Books and supplies	1,827,852	1,562,465	689,248	41,684	
Services and other operating expenses	11,938,935	3,549,055	103,355	49,942	
Capital outlay	5,740,181	3,034,636	468	2,014	
Debt service - principal					
Debt service - interest and other					
Total expenditures	<u>118,163,127</u>	<u>19,801,779</u>	<u>1,646,862</u>	<u>1,295,338</u>	
Excess of revenues over (under) expenditures	<u>1,397,591</u>	<u>(490,615)</u>	<u>(425,605)</u>	<u>(151,170)</u>	<u>17</u>
<b>Other financing sources (uses)</b>					
Operating transfers-in	1,123,870	1,559,561	356,930	220,000	
Operating transfers-out	(2,636,491)				
Other sources	6,559				
Other uses		(336,723)			
Total other financing sources (uses)	<u>(1,506,062)</u>	<u>1,222,838</u>	<u>356,930</u>	<u>220,000</u>	
Excess of revenues and other financing sources over (under) expenditures and other uses	(108,471)	732,223	(68,675)	68,830	17
<b>Fund balances</b>					
Beginning of year	<u>12,747,316</u>	<u>3,542,629</u>	<u>295,949</u>	<u>30,549</u>	<u>16,236</u>
End of year	<u>\$ 12,638,845</u>	<u>\$ 4,274,852</u>	<u>\$ 227,274</u>	<u>\$ 99,379</u>	<u>\$ 16,253</u>

<b>Capital Outlay Projects</b>	<b>Bond Interest and Redemption</b>	<b>Totals</b>
		\$ 7,852,333
\$ 5,371,019	\$ 150,452	85,045,516
<u>2,154,008</u>	<u>11,421,932</u>	<u>67,436,886</u>
<u>7,525,027</u>	<u>11,572,384</u>	<u>160,334,735</u>
		59,216,245
		29,957,510
		23,193,516
25,307		4,146,556
262,810		15,904,097
27,890,269		36,667,568
	4,720,000	4,720,000
	2,151,034	2,151,034
<u>28,178,386</u>	<u>6,871,034</u>	<u>175,956,526</u>
<u>(20,653,359)</u>	<u>4,701,350</u>	<u>(15,621,791)</u>
		3,260,361
(1,123,870)		(3,760,361)
9,035,971		9,042,530
	(1,100)	(337,823)
<u>7,912,101</u>	<u>(1,100)</u>	<u>8,204,707</u>
(12,741,258)	4,700,250	(7,417,084)
<u>58,802,279</u>	<u>7,120,038</u>	<u>82,554,996</u>
<u>\$46,061,021</u>	<u>\$11,820,288</u>	<u>\$ 75,137,912</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Proprietary Funds**

For the Year Ended June 30, 2006

	<b>Workers' Compensation</b>	<b>Health and Liability</b>	<b>Total</b>
<b>Operating revenues</b>			
Local revenues	\$1,150,767	\$4,408,195	\$5,558,962
<b>Operating expenditures</b>			
Classified salaries	42,340	139,672	182,012
Employee benefits	13,915	44,825	58,740
Books and supplies	1,071	3,307	4,378
Services and other operating expenditures	1,593,640	2,868,095	4,461,735
Capital outlay		37,756	37,756
Total operating expenditures	1,650,966	3,093,655	4,744,621
Excess of revenues over (under) expenditures	(500,199)	1,314,540	814,341
<b>Nonoperating revenues</b>			
Operating transfers in		500,000	500,000
Total nonoperating revenues		500,000	500,000
Net income (loss)	(500,199)	1,814,540	1,314,341
<b>Fund balances</b>			
Beginning of year	806,384	110,881	917,265
End of year	\$ 306,185	\$1,925,421	\$2,231,606

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Fiduciary Funds**

For the Year Ended June 30, 2006

	<b>Associated Students' Trust</b>	<b>Student Financial Aid</b>	<b>Total</b>
<b>Revenues</b>			
Federal revenues		\$13,628,399	\$13,628,399
State revenues		1,420,655	1,420,655
Local revenues	\$ 590,082		590,082
<b>Total revenues</b>	<u>590,082</u>	<u>15,049,054</u>	<u>15,639,136</u>
<b>Expenditures</b>			
Books and supplies	297,202		297,202
Services and other operating expenses	245,591		245,591
Capital outlay	46,328		46,328
<b>Total expenditures</b>	<u>589,121</u>	<u>-</u>	<u>589,121</u>
Excess of revenues over expenditures	<u>961</u>	<u>15,049,054</u>	<u>15,050,015</u>
<b>Other financing sources (uses)</b>			
Other sources	21,057		21,057
Other uses		(15,049,054)	(15,049,054)
<b>Total other financing sources (uses)</b>	<u>21,057</u>	<u>(15,049,054)</u>	<u>(15,027,997)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>22,018</u>	<u>-</u>	<u>22,018</u>
<b>Fund balances</b>			
Beginning of year	<u>1,011,611</u>	<u>-</u>	<u>1,011,611</u>
End of year	<u>\$1,033,629</u>	<u>\$ -</u>	<u>\$1,033,629</u>

Michael R. Adcock, CPA  
Thomas E. Ahern, CPA  
Linda S. Devlin, CPA  
Janell M. Fratt, CPA  
Wing K. Lau, CPA  
Andrew Steinke, CPA  
Nora L. Teasley, CPA  
A California Limited Liability Partnership  
Certified Public Accountants



Members  
American Institute of  
Certified Public Accountants  
Private Companies  
Practice Section  
Employee Benefit Plan  
Audit Quality Center  
California Society of  
Certified Public Accountants

**To the Board of Trustees  
Riverside Community College District**

We have audited the financial statements of Riverside Community College District (the "District") for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006. Professional standards require that we provide you with the following information related to our audit:

**Our Responsibility Under United States Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated May 10, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with United States generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Riverside Community College District's internal control over financial reporting 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 over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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 estimates affecting the financial statements were depreciation, other post employment benefits for retirees, claim liabilities for indemnity health care, workers' compensation, torts, and other claims against the District.

Management's estimates of the items listed above are based on estimated useful lives, prior experience and internal actuarial analysis. We evaluated the key factors and assumptions used to develop the items listed above in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Significant Audit Adjustments and Uncorrected Misstatements**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

Professional standards require that we inform you about uncorrected misstatements aggregated by us during our engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements are presented in the attached Summary of Audit Differences.

### **Disagreements with Management**

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

### **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 which may be expressed on those statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

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.

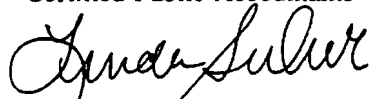
### **Difficulties Encountered in Performing the Audit**

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

\* \* \* \* \*

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

Ahern • Adcock • Devlin LLP  
Certified Public Accountants



By: Linda S. Devlin, CPA

October 27, 2006

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Summary of Audit Differences**

June 30, 2006

GENERAL FUND

1.

Other uses	\$69,649	
Cash in County Treasury		\$69,649

To adjust the Cash in County Treasury to its fair market value at June 30, 2006.

2.

Fixed assets	\$121,410	
Fund balance	\$4,617	
Accounts payable		\$126,027

To record capital leases for copiers.

CAFETERIA FUND

1.

Other uses	\$999	
Cash in County Treasury		\$999

To adjust the Cash in County Treasury to its fair market value at June 30, 2006.

CAPITAL PROJECTS FUND

1.

Capital outlay	\$44,831	
Accounts payable		\$44,831

To record additional amounts due for the parking structure under construction at June 30, 2006.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Summary of Audit Differences  
 (Continued)**

June 30, 2006

**CAPITAL PROJECTS FUND**

	2.		
Accounts payable		\$84,440	
Capital outlay			\$84,440
To remove voided invoice from accounts payable at June 30, 2006.			

	3.		
Other uses		\$46,996	
Cash in County Treasury			\$46,996
To adjust the Cash in County Treasury to its fair market value at June 30, 2006.			

**BOND INTEREST AND REDEMPTION FUND**

	1.		
Accounts receivable		\$106,831	
Local revenue			\$106,831
To record interest accrued at June 30, 2006.			

	2.		
Other uses		\$58,024	
Cash in County Treasury			\$58,024
To adjust the Cash in County Treasury to its fair market value at June 30, 2006.			

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**Summary of Audit Differences**

(Continued)

June 30, 2006

**SELF-INSURANCE FUND - WORKERS' COMPENSATION INSURANCE**

1.

Accounts payable	\$16,788	
Cash with Fiscal Agent		\$16,788

To adjust cash balances to agree to the bank reconciled amount at June 30, 2006.

2.

Other uses	\$9,164	
Cash in County Treasury		\$9,164

To adjust the Cash in County Treasury to its fair market value at June 30, 2006.

**SELF-INSURANCE FUND - HEALTH AND LIABILITY**

1.

Other uses	\$18,725	
Cash in County Treasury		\$18,725

To adjust the Cash in County Treasury to its fair market value at June 30, 2006.

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
ADMINISTRATION AND FINANCE

Report No.: V-A-9-g

Date: January 30, 2007

Subject: A Proposal to Relocate Portables from the Lovekin Complex

Background: The College created the Lovekin Complex to serve as swing space during the Quad Modernization Project. This swing space, which was to provide alternate space for offices and classrooms housed in the Quad, consists of fifty-one (51) portables. As the Quad project is nearing completion, the staff has been developing a plan relative to the disposition of the portables once the swing space is no longer required.

Some units will remain on the Riverside City College campus to solve current needs, and some will likely remain at this campus for future swing space use. Others could be distributed to other RCCD locations to solve various space problems.

The current status of our planning concerning disposition of the Lovekin portables will be presented to the Board of Trustees at the January 30, 2007, meeting. Additionally, a Measure C budget proposal will be presented regarding the proposed initial distribution. These matters will also be discussed with the Board's Committee on Resources.

Recommended Action: It is recommended that the Board of Trustees approve the initial distribution of Lovekin portables as proposed; approve a budget to fund this distribution in the amount to be determined; and authorize the use of Measure C funds for this purpose.

Salvatore G. Rotella  
Chancellor

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