



RIVERSIDE COMMUNITY  
COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2009**

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

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# RIVERSIDE COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited the accompanying basic financial statements of the business-type activities of Riverside Community College District (the District) as of and for the years ended June 30, 2009 and 2008, and its discretely presented component unit, Riverside Community College District Foundation (the Foundation), as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Riverside Community College District and its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

As discussed in Note 13 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of Riverside Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. 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.

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

The Additional Supplementary Information on pages 85 through 92 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Vavrinek, Sine, Day & Co LLP*

Rancho Cucamonga, California  
November 20, 2009

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

Moreno Valley Campus • Norco Campus • Riverside City College

## **USING THIS ANNUAL REPORT**

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Riverside Community College District (the District) as of June 30, 2009. The report consists of three basic financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## **FINANCIAL HIGHLIGHTS**

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full Time Equivalent Students (FTES). During the 2008-2009 fiscal year, total reported resident FTES were 30,969 as compared to 27,011 in the 2007-2008 fiscal year. The District's credit FTES was fully funded except for 3,650 credit FTES for fiscal year 2008-2009 and was fully funded except for 141 credit FTES for fiscal year 2007-2008.
- Several construction and modernization projects at the District's three campuses resulted in completed buildings, building improvements, and improvements to sites of \$56,018,917 in the 2008-2009 fiscal year. The projects, listed below, are funded both through State construction revenues and through the District's voter approved general obligation bond, Measure C.

Quad Remodel – Riverside  
Modular Redistribution Project – Riverside  
Industrial Technology Building – Norco  
Food Service Remodel – Riverside  
ECS Secondary Effects Project – Moreno Valley  
Hot Water Loop – Moreno Valley

Utility Retrofit – Riverside  
Utility Retrofit – Moreno Valley  
Utility Retrofit – Norco  
Paper Removal and Painting Project – Moreno Valley  
Soccer Field – Norco



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Norco Campus • 2001 Third Street, Norco, California 92860-2600 • (951) 372-7000 • FAX (951) 372-7050  
Riverside City College • 4800 Magnolia Avenue, Riverside, California 92506-1299 • (951) 222-8000 • FAX (951) 222-8036

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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- Costs for employee salaries increased by 4.28 percent or \$4.7 million from the 2007-2008 fiscal year, and costs associated with employee benefits increased by 16.91 percent or \$4.1 million. The increase in salaries is primarily due to a 1.0 percent contractual increase, a one year 0.68 percent unfunded COLA increase, scheduled salary step increases, employee reclassifications, and an increased number of categorically funded positions. The increase in the benefit costs is due to rising costs of health and welfare benefits paid on behalf of both current employees and retirees.
- During the 2008-2009 fiscal year, the District provided almost \$35.3 million in financial aid to students attending classes at the three campuses. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State System's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 21,737,716
Federal Supplement Education Opportunity Grant (FSEOG)	673,337
Federal Family Education Loans (FFEL)	3,901,647
Federal Work Study Program (FWS)	736,399
Federal Academic Competitiveness Grant (ACG)	41,075
State of California Cal Grant B (CALG-B)	1,565,391
State of California Cal Grant C (CALG-C)	83,286
California Community College Board of Governor's Fee Wavier	6,568,018
Total Financial Aid Provided to Students	<u>\$ 35,306,869</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009**

***THE DISTRICT AS A WHOLE***

**Net Assets**

**Table 1**

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>Change</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 116,332	\$ 150,191	\$ (33,859)	\$ 162,395	\$ (46,063)
Accounts receivable (net)	36,375	23,186	13,189	21,120	15,255
Other current assets	222	148	74	162	60
Total Current Assets	<u>152,929</u>	<u>173,525</u>	<u>(20,596)</u>	<u>183,677</u>	<u>(30,748)</u>
Other noncurrent assets	881	949	(68)	1,017	(136)
Capital assets (net)	215,168	190,938	24,230	172,156	43,012
Total Assets	<u>368,978</u>	<u>365,412</u>	<u>3,566</u>	<u>356,850</u>	<u>12,128</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	29,181	25,699	3,482	22,225	6,956
Amounts held in trust for others	1,914	2,166	(252)	2,043	(129)
Current portion of long-term obligations	7,836	8,372	(536)	9,183	(1,347)
Total Current Liabilities	<u>38,931</u>	<u>36,237</u>	<u>2,694</u>	<u>33,451</u>	<u>5,480</u>
Long-Term Obligations	<u>143,500</u>	<u>148,619</u>	<u>-</u>	<u>153,936</u>	<u>(10,436)</u>
Total Liabilities	<u>182,431</u>	<u>184,856</u>	<u>2,694</u>	<u>187,387</u>	<u>(4,956)</u>
<b>NET ASSETS</b>					
Invested in capital assets	149,616	127,166	22,450	106,844	42,772
Restricted	26,209	34,874	(8,665)	43,892	(17,683)
Unrestricted	10,722	18,516	(7,794)	18,727	(8,005)
Total Net Assets	<u>\$ 186,547</u>	<u>\$ 180,556</u>	<u>\$ 5,991</u>	<u>\$ 169,463</u>	<u>\$ 17,084</u>

Cash and investments consist primarily of funds held in the Riverside County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 15 and 16.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009**

**Operating Results for the Year**

The results of this year's operations for the District as a whole are reported in the Statement of Revenues, Expenses, and Changes in Net Assets on page 14.

**Table 2**

(Amounts in thousands)

	2009	2008	Change	2007	Change
Operating Revenues					
Tuition and fees (net)	\$ 13,776	\$ 12,494	\$ 1,282	\$ 12,923	\$ 853
Other operating revenues	22	98	(76)	2	20
Total Operating Revenues	<u>13,798</u>	<u>12,592</u>	<u>1,206</u>	<u>12,925</u>	<u>873</u>
Operating Expenses					
Salaries and benefits	144,101	135,211	8,890	124,868	19,233
Supplies and maintenance	43,770	53,690	(9,920)	47,700	(3,930)
Student financial aid	24,837	-	-	-	-
Depreciation	8,242	5,918	2,324	5,166	3,076
Total Operating Expenses	<u>220,950</u>	<u>194,819</u>	<u>1,294</u>	<u>177,734</u>	<u>18,379</u>
Loss on Operations	<u>(207,152)</u>	<u>(182,227)</u>	<u>(88)</u>	<u>(164,809)</u>	<u>(17,506)</u>
Nonoperating Revenues					
State apportionments	92,108	89,611	2,497	88,437	3,671
Property taxes	43,095	43,895	(800)	43,101	(6)
State revenues	4,072	4,288	(216)	4,529	(457)
Federal and State grants and contracts	52,038	36,934	15,104	31,814	20,224
Net investment income	3,899	8,125	(4,226)	4,170	(271)
Net interest expense	(7,499)	(7,840)	341	(3,516)	(3,983)
Other nonoperating revenues	12,282	11,399	883	12,190	92
Loss on disposal of assets	-	(390)	390	-	-
Total Nonoperating Revenue	<u>199,995</u>	<u>186,022</u>	<u>13,973</u>	<u>180,725</u>	<u>19,270</u>
Other Revenues					
State and local capital income	13,148	7,298	5,850	9,620	3,528
Net Increase in Net Assets	<u>\$ 5,991</u>	<u>\$ 11,093</u>	<u>\$ 19,735</u>	<u>\$ 25,536</u>	<u>\$ 5,292</u>

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009**

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Interest income of \$3.9 million was off set by interest expense of \$7.5 million. The interest income is primarily the result of cash held in the Riverside County Treasury. Interest income has decreased approximately \$4.2 million over the 2007-2008 fiscal year. Interest income and expense have decreased over fiscal year 2007-2008 due to significantly lower interest rates, the State's apportionment deferral strategy passed along to community colleges, and a lower balance of the Series C General Obligation Bond in the Riverside County Treasury during fiscal year 2008-2009. Reduced General Obligation Bond principal resulting from debt service payments have resulted in lower interest expense.

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

**Table 3**

Year ended June 30, 2009:

(Amounts in thousands)

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Year ended June 30, 2008:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 65,765	\$ 3,866	\$ 2,814	\$ -	\$ 72,445
Academic support	35,401	15,259	905	-	51,565
Student services	14,946	1,649	323	-	16,918
Plant operations and maintenance	6,174	3,908	475	-	10,557
Instructional support services	4,472	375	370	-	5,217
Community services and economic development	1,672	924	77	-	2,673
Ancillary services and auxiliary operations	6,708	2,817	143	-	9,668
Student aid	-	18,458	-	-	18,458
Physical property and related acquisitions	73	1,182	145	-	1,400
Unallocated depreciation	-	-	-	5,918	5,918
Total	<u>\$ 135,211</u>	<u>\$ 48,438</u>	<u>\$ 5,252</u>	<u>\$ 5,918</u>	<u>\$ 194,819</u>

**Changes in Cash Position**

**Table 4**

(Amounts in thousands)

	2009	2008	Change	2007	Change
Cash Provided by (Used in)					
Operating activities	\$ (196,247)	\$ (172,488)	\$ (23,759)	\$ (125,332)	\$ (70,915)
Noncapital financing activities	178,331	171,475	6,856	130,134	48,197
Capital financing activities	(20,268)	(18,167)	(2,101)	73,275	(93,543)
Investing activities	4,325	6,976	(2,651)	3,998	327
Net Increase (Decrease) in Cash	(33,859)	(12,204)	(21,655)	82,075	(115,934)
Cash, Beginning of Year	150,191	162,395	(12,204)	80,320	69,871
Cash, End of Year	<u>\$ 116,332</u>	<u>\$ 150,191</u>	<u>\$ (33,859)</u>	<u>\$ 162,395</u>	<u>\$ (46,063)</u>

The Statement of Cash Flows on pages 15 and 16 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. The District's primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009**

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

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

At June 30, 2009, the District had \$215.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2008, the District's net capital assets were \$190.9 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through State Construction Revenues and District General Obligation Bonds. Projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

**Table 5**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 74,049	\$ 28,582	\$ (56,551)	\$ 46,080
Buildings and land improvements	143,207	56,949	-	200,156
Equipment and vehicles	22,440	3,492	(96)	25,836
Subtotal	239,696	89,023	(56,647)	272,072
Accumulated depreciation	(48,758)	(8,242)	96	(56,904)
	<u>\$ 190,938</u>	<u>\$ 80,781</u>	<u>\$ (56,551)</u>	<u>\$ 215,168</u>

**Obligations**

At the end of the 2008-2009 fiscal year, the District had \$145.2 million in General Obligation Bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through property tax assessments on property within the Riverside Community College District boundaries.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009**

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

**Table 6**

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 151,354	\$ 667	\$ (6,724)	\$ 145,297
Other liabilities	5,637	2,070	(1,668)	6,039
Total Long-Term Obligations	<u>\$ 156,991</u>	<u>\$ 2,737</u>	<u>\$ (8,392)</u>	<u>\$ 151,336</u>
 Amount due within one year				 <u>\$ 7,836</u>

***GENERAL FUND BUDGETARY HIGHLIGHTS***

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2008-2009 fiscal year on June 16, 2009.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenue by \$7.0 million. The actual results for the year showed expenditures exceeded revenues by \$5.5 million.

***ECONOMIC FACTORS AFFECTING THE FUTURE OF THE RIVERSIDE COMMUNITY COLLEGE DISTRICT***

The economic position of the District is closely tied to the State of California as State apportionments, and property taxes represent approximately 87.11 percent of the total sources of revenue received within the unrestricted General Fund. The District increased reported FTES during fiscal year 2008-2009. Due to significant declines in apportionment funding from the State in fiscal years 2008-2009 and 2009-2010, the District plans to offer 1,000 fewer sections to reduce costs and the number of unfunded FTES. The District's fiscal year 2009-2010 adopted budget also contains other targeted expenditures reductions to be budgeted totaling approximately \$9.0 million to align spending with available funds. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State System's Office.

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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

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***BASIC FINANCIAL STATEMENTS***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,411,961	\$ 2,711,773
Investments - Unrestricted	16,635,941	36,942,057
Investments - Restricted	97,283,646	110,536,702
Accounts receivable	35,615,880	22,538,827
Student accounts receivable, net	759,386	648,152
Prepaid expenses	125,040	60,348
Deferred cost on issuance	67,802	67,802
Inventories	29,051	19,353
<b>Total Current Assets</b>	<u>152,928,707</u>	<u>173,525,014</u>
<b>Noncurrent Assets</b>		
Deferred cost on issuance - noncurrent portion	881,425	949,227
Nondepreciable capital assets	46,079,762	74,048,749
Depreciable capital assets, net of depreciation	169,088,049	116,889,388
<b>Total Noncurrent Assets</b>	<u>216,049,236</u>	<u>191,887,364</u>
<b>TOTAL ASSETS</b>	<u>368,977,943</u>	<u>365,412,378</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	15,338,730	14,567,402
Accrued interest payable	2,694,959	2,806,625
Deferred revenue	5,782,440	5,023,107
Claims liability	5,364,973	3,302,565
Amounts held in custody on behalf of others	1,913,653	2,165,652
Compensated absences payable - current portion	713,698	1,046,309
Bonds payable - current portion	6,655,000	6,385,000
Lease obligations - current portion	14,674	14,674
Other long-term obligations - current portion	452,376	926,172
<b>Total Current Liabilities</b>	<u>38,930,503</u>	<u>36,237,506</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	2,141,095	1,562,349
Bonds payable - noncurrent portion	131,634,077	137,622,557
Net debt premium	7,007,782	7,346,681
Lease obligations - noncurrent portion	26,902	41,576
Other long-term obligations - noncurrent portion	2,690,212	2,045,692
<b>Total Noncurrent Liabilities</b>	<u>143,500,068</u>	<u>148,618,855</u>
<b>TOTAL LIABILITIES</b>	<u>182,430,571</u>	<u>184,856,361</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	149,616,408	124,524,678
Restricted for:		
Debt service	14,288,845	15,362,003
Capital projects	2,375,787	15,157,376
Educational programs	9,543,831	6,995,880
Unrestricted	10,722,501	18,516,080
<b>TOTAL NET ASSETS</b>	<u>\$ 186,547,372</u>	<u>\$ 180,556,017</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 20,344,186	\$ 17,220,116
Less: Scholarship discount and allowance	(6,568,018)	(4,726,243)
Net tuition and fees	<u>13,776,168</u>	<u>12,493,873</u>
Other Operating Revenues	21,531	98,054
<b>TOTAL OPERATING REVENUES</b>	<u>13,797,699</u>	<u>12,591,927</u>
<b>OPERATING EXPENSES</b>		
Salaries	115,416,313	110,676,431
Employee benefits	28,685,083	24,535,244
Supplies, materials, and other operating expenses and services	39,047,761	29,979,694
Student financial aid	24,837,204	18,458,245
Equipment, maintenance, and repairs	4,721,534	5,252,176
Depreciation	8,242,147	5,917,666
<b>TOTAL OPERATING EXPENSES</b>	<u>220,950,042</u>	<u>194,819,456</u>
<b>OPERATING LOSS</b>	<u>(207,152,343)</u>	<u>(182,227,529)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	92,108,018	89,611,058
Federal grants	32,754,061	25,132,430
State grants	19,284,379	11,801,545
Local property taxes levied for general purposes	31,955,768	32,330,029
Local property taxes levied for capital debt	11,139,248	11,565,586
State taxes and other revenues	4,072,155	4,287,522
Investment income	3,529,205	7,445,762
Interest expense on capital related debt	(7,499,410)	(7,839,793)
Investment income on capital asset-related debt, net	369,969	679,403
Deletion of capital assets	-	(389,862)
Other nonoperating revenue	12,281,649	11,398,245
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>199,995,042</u>	<u>186,021,925</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	<u>(7,157,301)</u>	<u>3,794,396</u>
State revenues, capital	13,148,656	7,298,445
<b>TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>13,148,656</u>	<u>7,298,445</u>
<b>CHANGE IN NET ASSETS</b>	<u>5,991,355</u>	<u>11,092,841</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>180,556,017</u>	<u>169,463,176</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 186,547,372</u>	<u>\$ 180,556,017</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 13,822,365	\$ 12,208,973
Payments to vendors for supplies and services	(42,088,460)	(33,048,438)
Payments to or on behalf of employees	(142,913,546)	(133,412,121)
Payments to students for Federal direct student aid	(23,188,527)	(16,847,386)
Payments to students for State direct student aid	(1,648,677)	(1,610,859)
Other operating receipts	(230,468)	220,836
<b>Net Cash Flows From Operating Activities</b>	<u>(196,247,313)</u>	<u>(172,488,995)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	81,847,295	89,646,982
Federal grants and contracts	32,488,626	25,141,266
State grants and contracts	19,841,622	11,801,545
Property taxes - nondebt related	34,956,551	32,391,969
State taxes and other apportionments	(319,866)	3,288,415
Other nonoperating	9,517,096	9,204,648
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>178,331,324</u>	<u>171,474,825</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(31,422,634)	(23,818,870)
State revenue, capital projects	13,148,657	7,298,445
Property taxes - related to capital debt	11,139,248	11,565,586
Principal paid on capital debt	(6,738,573)	(8,396,092)
Interest paid on capital debt	(7,499,410)	(6,156,127)
Interest received on capital asset-related debt	369,969	679,403
Accreted interest on general obligation bonds	666,520	593,201
Deferred cost on issuance	67,802	67,802
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(20,268,421)</u>	<u>(18,166,652)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	4,325,426	6,975,840
<b>Net Cash Flows From Investing Activities</b>	<u>4,325,426</u>	<u>6,975,840</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(33,858,984)	(12,204,982)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	150,190,532	162,395,514
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$116,331,548</u>	<u>\$150,190,532</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, Continued  
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (207,152,343)	\$ (182,227,529)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	8,242,147	5,917,666
Changes in Operating Assets and Liabilities:		
Receivables, net	(111,234)	(162,285)
Inventories	(9,698)	1,957
Prepaid expenses	(64,692)	12,789
Accounts payable and other accrued liabilities	2,481,557	1,941,559
Deferred revenue	202,090	228,820
Funds held for others	(251,999)	122,782
Compensated absences	416,859	1,675,246
Total Adjustments	<u>10,905,030</u>	<u>9,738,534</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (196,247,313)</u>	<u>\$ (172,488,995)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 2,411,961	\$ 2,711,773
Unrestricted cash in county treasury	16,635,941	36,942,057
Restricted cash in county treasury	97,283,646	110,536,702
<b>Total Cash and Cash Equivalents</b>	<u>\$ 116,331,548</u>	<u>\$ 150,190,532</u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	\$ 3,029,760	\$ 2,824,786
Deletion of capital assets	-	389,862
	<u>\$ 3,029,760</u>	<u>\$ 3,214,648</u>

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

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

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
 RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ -	\$ 61,852
Restricted	2,451,552	1,972,479
Accounts receivable	2,545	267
Unconditional promises to give	122,940	72,607
Total Current Assets	<u>2,577,037</u>	<u>2,107,205</u>
Noncurrent Assets		
Investments - restricted	2,815,387	2,739,990
Long-term unconditional promises to give, net of allowance	362,729	276,585
Total Noncurrent Assets	<u>3,178,116</u>	<u>3,016,575</u>
Total Assets	<u>\$ 5,755,153</u>	<u>\$ 5,123,780</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 197,525	\$ 181,470
Borrowing from restricted funds	13,841	-
Refundable advances	-	77,148
Obligation to Riverside Community College District	346,478	-
Total Current Liabilities	<u>557,844</u>	<u>258,618</u>
Long-Term Obligations		
Long-term obligation to Riverside Community College District	357,550	610,870
Total Long-Term Obligations	<u>357,550</u>	<u>610,870</u>
Total Liabilities	<u>915,394</u>	<u>869,488</u>
 <b>NET ASSETS</b>		
Unrestricted		
Undesignated	(887,243)	(712,741)
Board designated	12,289	14,768
Total Unrestricted	<u>(874,954)</u>	<u>(697,973)</u>
Temporarily restricted	3,011,599	2,018,794
Permanently restricted	2,703,114	2,933,471
Total Net Assets	<u>4,839,759</u>	<u>4,254,292</u>
Total Liabilities and Net Assets	<u>\$ 5,755,153</u>	<u>\$ 5,123,780</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
 RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUES</b>				
Donations	\$ 6,266	\$1,728,202	\$ 276,666	\$ 2,011,134
In-kind donations				
Donated assets	73,727	-	-	73,727
Donated material	45,310	-	-	45,310
Donated services	433,102	-	-	433,102
Assets released from restrictions	899,717	(685,482)	(214,235)	-
<b>Total Revenues</b>	<b>1,458,122</b>	<b>1,042,720</b>	<b>62,431</b>	<b>2,563,273</b>
<b>EXPENSES</b>				
Operating expenses	213,757	-	-	213,757
Program expenses	1,223,890	-	-	1,223,890
Fundraising expenses	127,734	-	-	127,734
<b>Total Expenses</b>	<b>1,565,381</b>	<b>-</b>	<b>-</b>	<b>1,565,381</b>
<b>OTHER INCOME (EXPENSE)</b>				
Realized gain (loss) on sale of investments	(8,429)	(7,933)	(33,219)	(49,581)
Unrealized loss	(59,371)	(55,879)	(233,993)	(349,243)
Interest and dividends income	345	325	1,362	2,032
Interest expense	(15,633)	-	-	(15,633)
Transfers	13,366	13,572	(26,938)	-
<b>Total Other Income (Expense)</b>	<b>(69,722)</b>	<b>(49,915)</b>	<b>(292,788)</b>	<b>(412,425)</b>
CHANGE IN NET ASSETS	(176,981)	992,805	(230,357)	585,467
NET ASSETS, BEGINNING OF YEAR	(697,973)	2,018,794	2,933,471	4,254,292
NET ASSETS, END OF YEAR	<b>\$ (874,954)</b>	<b>\$3,011,599</b>	<b>\$ 2,703,114</b>	<b>\$ 4,839,759</b>

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

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<b>2008</b>			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 38,274	\$ 629,173	\$ 197,254	\$ 864,701
21,044	-	-	21,044
50,146	-	-	50,146
406,859	-	-	406,859
702,196	(628,425)	(73,771)	-
<u>1,218,519</u>	<u>748</u>	<u>123,483</u>	<u>1,342,750</u>
694,564	-	-	694,564
714,132	-	-	714,132
133,856	-	-	133,856
<u>1,542,552</u>	<u>-</u>	<u>-</u>	<u>1,542,552</u>
138	70	1,583	1,791
(8,122)	(2,018)	(92,867)	(103,007)
5,887	62,676	67,306	135,869
(22,341)	-	-	(22,341)
31,054	(20,223)	(10,831)	-
<u>6,616</u>	<u>40,505</u>	<u>(34,809)</u>	<u>12,312</u>
(317,417)	41,253	88,674	(187,490)
(380,556)	1,977,541	2,844,797	4,441,782
<u>\$ (697,973)</u>	<u>\$ 2,018,794</u>	<u>\$ 2,933,471</u>	<u>\$ 4,254,292</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 585,467	\$ (187,490)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized loss	349,243	103,007
Contributions of long-term investments	(2,004,868)	(632,068)
Changes in Assets and Liabilities		
(Increase) decrease in accounts receivable	(2,278)	6,862
(Increase) decrease in unconditional promises to give	71,501	(29,053)
Increase in accounts payable	16,055	67,570
Decrease in refundable advances	(77,148)	(72,852)
Net Cash Flows From Operating Activities	<u>(1,062,028)</u>	<u>(744,024)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(481,824)	(332,740)
Proceeds from sale of investments	629,867	380,568
Net Cash Flows From Investing Activities	<u>148,043</u>	<u>47,828</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	93,158	189,502
Increase in long-term unconditional promises to give	(207,978)	(276,585)
Proceeds from restricted fund borrowing	13,841	-
Collections of contributions restricted for long-term purposes	953,112	632,068
Net Cash Flows From Financing Activities	<u>852,133</u>	<u>544,985</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(61,852)	(151,211)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	61,852	213,063
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 61,852</u>

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

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***NOTES TO FINANCIAL STATEMENTS***

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## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **NOTE 1 - ORGANIZATION**

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

#### **Financial Reporting Entity**

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

- **Riverside Community College District Foundation**

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

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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- **Riverside Community College District Development Corporation**

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

#### ***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

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

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

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

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

#### **Investments**

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

#### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$325,451 and \$277,779 for the years ended June 30, 2009 and 2008, respectively.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008**

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#### **Prepaid Expenses**

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

#### **Inventories**

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

#### **Capital Assets and Depreciation**

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

Depreciation of capital assets is computed and recorded 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; vehicles, 5 to 10 years.

#### **Accrued Liabilities and Long-term Obligations**

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

#### **Deferred Issuance Costs, Premiums, and Discounts**

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

#### **Compensated Absences**

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

#### **Deferred Revenue**

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

#### **Net Assets**

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$26,208,463 of restricted net assets.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008**

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#### **State Apportionments**

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

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

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

#### **Estimates**

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

#### **Property Taxes**

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

The voters of the District passed a General Obligation Bond in 2004 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009 and 2008, were \$11,139,248 and \$11,565,586, respectively.

#### **Scholarship Discounts and Allowances**

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Family Education Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2009 and 2008, the District distributed \$3,901,647 and \$1,976,657, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

#### **Interfund Activity**

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

#### **Foundation Presentation**

The Riverside Community College District Foundation presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

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

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

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

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

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$1,474,187 for the year June 30, 2009, and made a contribution of \$517,462 resulting in a net OPEB obligation of \$956,725.

#### New Accounting Pronouncements

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

In April 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **Comparative Financial Information**

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

#### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

##### **Policies and Practices**

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

**General Authorizations**

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

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

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 2,361,961
Cash in revolving	50,000
Investments	113,919,587
Total Deposits and Investments	<u>\$ 116,331,548</u>

**Interest Rate Risk**

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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**Specific Identification**

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

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
County Pooled Investment	<u>\$ 114,424,867</u>	1.06*

\*Weighted average of maturity in years.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated Aaa by Fitch Ratings Ltd. as of June 30, 2009.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2009</u>	<u>Fair Market Value</u>
County Pooled Investment	Not Required	Aaa	<u>\$ 114,424,867</u>

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2009, the District's bank balance of \$1,469,304 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over \$100,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. Of the \$1,469,304 exposed to custodial credit risk, \$1,262,319 relates to funds of the associated students.

**Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2009, \$113,919,587 is invested in the Riverside County Treasurer's Pooled Investment Fund. The Pooled Investment Fund is currently rated Aaa by Fitch Ratings Ltd.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

**NOTE 4 - ACCOUNTS RECEIVABLE**

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

The accounts receivable are as follows:

	<u>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 2,323,228	\$ 2,057,793
State Government		
Apportionment	15,024,738	5,572,690
Categorical aid	865,091	473,300
Lottery	1,806,440	1,978,201
Other State sources	8,937,772	4,853,760
Local Sources		
Interest	412,953	1,209,174
Property taxes	2,063,400	3,619,567
Riverside Community College District Foundation	704,028	390,556
Riverside County Redevelopment Agency	898,653	1,145,600
Other local sources	2,579,577	1,238,186
Total	<u>\$ 35,615,880</u>	<u>\$ 22,538,827</u>
Student receivables	\$ 1,084,837	\$ 925,931
Less allowance for bad debt	<u>(325,451)</u>	<u>(277,779)</u>
Student receivables, net	<u>\$ 759,386</u>	<u>\$ 648,152</u>
Total receivables, net	<u>\$ 36,375,266</u>	<u>\$ 23,186,979</u>

**Discretely Presented Component Unit**

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

**NOTE 5 - CAPITAL ASSETS**

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

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

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 32,502,697	\$ -	\$ -	\$ 32,502,697
Construction in progress	52,489,178	21,432,362	32,375,488	41,546,052
Total Capital Assets Not Being Depreciated	<u>84,991,875</u>	<u>21,432,362</u>	<u>32,375,488</u>	<u>74,048,749</u>
Capital Assets Being Depreciated				
Land improvements	5,135,661	583,476	-	5,719,137
Buildings and improvements	105,529,914	32,386,566	428,419	137,488,061
Furniture and equipment	19,669,005	3,063,215	291,868	22,440,352
Total Capital Assets Being Depreciated	<u>130,334,580</u>	<u>36,033,257</u>	<u>720,287</u>	<u>165,647,550</u>
Total Capital Assets	<u>215,326,455</u>	<u>57,465,619</u>	<u>33,095,775</u>	<u>239,696,299</u>
Less Accumulated Depreciation				
Land improvements	4,454,024	150,340	-	4,604,364
Buildings and improvements	25,635,147	3,413,776	38,557	29,010,366
Furniture and equipment	13,081,750	2,353,550	291,868	15,143,432
Total Accumulated Depreciation	<u>43,170,921</u>	<u>5,917,666</u>	<u>330,425</u>	<u>48,758,162</u>
Net Capital Assets	<u>\$ 172,155,534</u>	<u>\$ 51,547,953</u>	<u>\$ 32,765,350</u>	<u>\$ 190,938,137</u>

Depreciation expense for the year was \$5,917,666.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	2009	2008
Accrued payroll and benefits	\$ 1,757,188	\$ 986,197
Apportionment	3,185,605	3,994,280
State categorical programs	160,112	217,153
Construction payables	7,195,994	6,146,806
Vendor payables	2,913,071	2,994,940
Other	126,760	228,026
Total	<u>\$ 15,338,730</u>	<u>\$ 14,567,402</u>

**Discretely Presented Component Unit**

The accounts payable of the Foundation consist primarily of amounts owed to vendors for supplies and services.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at consisted of the following:

	<u>2009</u>	<u>2008</u>
Federal financial assistance	\$ -	\$ 20,427
State categorical aid	2,851,954	2,294,711
Enrollment fees	898,508	752,650
Theater subscriptions	314,986	300,275
Health and liability self-insurance	1,156,712	1,088,938
Summer community education fees	119,862	123,000
Other local	440,418	443,106
Total	<u>\$ 5,782,440</u>	<u>\$ 5,023,107</u>

**NOTE 8 - INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables (Due To/Due From)**

Balances owing between funds at year-end were for cost allocation. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2009 and 2008, have been eliminated in the consolidation process for financial statement presentation.

**Interfund Operating Transfers**

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Long-Term Obligations Summary**

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds Payable</b>					
General obligation bonds, Series A and B	\$ 5,020,000	\$ -	\$ 1,545,000	\$ 3,475,000	\$ -
General obligation bonds, Refunding Bond 2	56,434,356	593,201	475,000	56,552,557	1,260,000
Net unamortized debt premium	4,868,611	-	162,837	4,705,774	-
General obligation bonds, Series 2007 C	90,000,000	-	6,020,000	83,980,000	5,125,000
Net unamortized debt premium	2,816,967	-	176,060	2,640,907	-
<b>Total Bonds Payable</b>	<b>159,139,934</b>	<b>593,201</b>	<b>8,378,897</b>	<b>151,354,238</b>	<b>6,385,000</b>
<b>Other Liabilities</b>					
Compensated absences	2,328,743	279,915	-	2,608,658	1,046,309
Capital leases	73,445	-	17,195	56,250	14,674
Golden handshake	927,706	2,261,880	916,229	2,273,357	916,229
Load banking	648,827	242,945	193,265	698,507	9,943
<b>Total Other Liabilities</b>	<b>3,978,721</b>	<b>2,784,740</b>	<b>1,126,689</b>	<b>5,636,772</b>	<b>1,987,155</b>
<b>Total Long-Term Obligations</b>	<b>\$163,118,655</b>	<b>\$3,377,941</b>	<b>\$ 9,505,586</b>	<b>\$156,991,010</b>	<b>\$8,372,155</b>

**Description of Debt**

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

**Bonded Debt**

**2004 General Obligation Bonds**

During March 2004, voters of the District authorized the issuance and sale of general obligation bonds in the amount of \$350,000,000. As a result of the authorization, General Obligation Bonds Series 2004A "Series A Bonds" and Series 2004B (federally taxable) "Series B Bonds" were issued in August 2004. At June 30, 2009, the principal outstanding was \$3,475,000.

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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Series B Bonds were issued to advance refund the District's outstanding certificates of participation. The refunded COPs are considered defeased. This advance refunding was undertaken to reduce total debt service payments by \$2,298,036 and to obtain an economic gain of \$237,565. The Series B Bonds are not subject redemption prior to maturity.

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

**2005 General Obligation Refunding Bonds**

During May 2005, the District issued 2005 General Obligation Refunding Bonds with interest rates ranging from 3.00 to 5.00 percent. The bonds were issued as current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$5,755,644, and an aggregate principal debt service balance of \$56,434,356. The bonds mature through August 1, 2024. Principal and interest on the refunded debt will be paid until such time as they can be redeemed on August 1, 2014. At June 30, 2009, the principal outstanding was \$55,959,077, and net unamortized debt premium was \$4,542,936.

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

Net debt premium consists of the following:

	June 30, 2009
Deferred loss on refunding	\$ (3,050,917)
Debt issue costs	(726,523)
Debt premium	8,320,376
Net unamortized debt premium	<u>\$ 4,542,936</u>

**2007 General Obligation Bonds**

During June 2007, the District issued the 2007 General Obligation Bonds in the amount of \$90,000,000. The bonds mature beginning on August 1, 2007 through August 1, 2032, with interest yields ranging from 3.62 to 4.47 percent. At June 30, 2009, the principal outstanding was \$78,855,000 and unamortized premium and issuance costs of \$2,464,846 and \$949,227, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
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The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	Issued	Accreted	Redeemed	Bonds
				Outstanding July 1, 2008		Interest Addition		Outstanding June 30, 2009
2004	2030	4.00%-5.25%	\$ 55,205,000	\$ 3,475,000	\$ -	\$ -	\$ -	\$ 3,475,000
2005	2025	3.00%-5.00%	68,181,109	56,552,557	-	666,520	1,260,000	55,959,077
2007	2033	4.00%-5.00%	90,000,000	83,980,000	-	-	5,125,000	78,855,000
				<u>\$ 144,007,557</u>	<u>\$ -</u>	<u>\$ 666,520</u>	<u>\$ 6,385,000</u>	<u>\$ 138,289,077</u>

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

Fiscal Year	Principal	Interest to	Total
		Maturity	
2010	\$ -	\$ 146,075	\$ 146,075
2011	-	146,075	146,075
2012	500,000	136,075	636,075
2013	620,000	113,675	733,675
2014	795,000	85,375	880,375
2015-2019	1,070,000	161,269	1,231,269
2020-2024	155,000	112,694	267,694
2025-2029	265,000	58,175	323,175
2030	70,000	1,925	71,925
Total	<u>\$ 3,475,000</u>	<u>\$ 961,338</u>	<u>\$ 4,436,338</u>

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

Fiscal Year	Principal	Accreted	Current	Total
		Interest	Interest to Maturity	
2010	\$ 1,495,000	\$ -	\$ 2,440,762	\$ 3,935,762
2011	1,740,000	-	2,366,250	4,106,250
2012	1,544,393	92,886	2,310,500	3,947,779
2013	1,340,075	147,417	2,298,250	3,785,742
2014	1,281,442	140,963	2,298,250	3,720,655
2015-2019	13,333,167	285,254	10,727,750	24,346,171
2020-2024	27,820,000	-	5,611,000	33,431,000
2025	7,405,000	-	185,125	7,590,125
Total	<u>\$ 55,959,077</u>	<u>\$ 666,520</u>	<u>\$ 28,237,887</u>	<u>\$ 84,863,484</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 5,160,000	\$ 3,746,850	\$ 8,906,850
2011	5,185,000	3,534,575	8,719,575
2012	-	3,425,500	3,425,500
2013	-	3,425,500	3,425,500
2014	-	3,425,500	3,425,500
2015-2019	-	17,127,500	17,127,500
2020-2024	-	17,127,500	17,127,500
2025-2029	33,600,000	13,950,250	47,550,250
2030-2033	34,910,000	2,813,250	37,723,250
Total	<u>\$ 78,855,000</u>	<u>\$ 68,576,425</u>	<u>\$ 147,431,425</u>

**Capital Leases**

The District has utilized capital leases purchase agreements to primarily purchase land, buildings, and equipment. The current lease purchase agreement in the amount of \$41,576 will be paid through 2012.

The District has entered into various capital lease arrangements for equipment:

Equipment	\$ 138,445
Less: Accumulated depreciation	(33,706)
Total	<u>\$ 104,739</u>

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

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2010	\$ 17,195
2011	17,195
2012	12,228
Total	46,618
Less: Amount Representing Interest	5,042
Present Value of Minimum Lease Payments	<u>\$ 41,576</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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***NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION***

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

**Plan Description**

The Riverside Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 65 retirees and beneficiaries currently receiving benefits and 802 active plan members.

**Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2008-2009, the District contributed \$517,462 to the Plan, all of which was used for current premiums.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 1,474,187
Annual OPEB cost (expense)	<u>517,462</u>
Increase in net OPEB obligation	956,725
Net OPEB obligation, July 1, 2008	<u>-</u>
Net OPEB obligation, June 30, 2009	<u><u>\$ 956,725</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
\$ 1,474,187	35.1%	\$ 956,725

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **Funding Status and Funding Progress**

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

#### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the unit credit cost method was used. The actuarial assumptions include healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2007, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2009, the District finances its OPEB contributions using a pay-as-you-go method. The District has not established a plan or equivalent arrangement that contains an irrevocable trust.

#### ***NOTE 11 - RISK MANAGEMENT***

##### **Insurance Coverages**

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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**Joint Powers Authority Risk Pools**

During fiscal year ending June 30, 2009, the District contracted with the Alliance of Schools for Cooperative Insurance Program Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2008-2009, the District participated in the Schools Excess Liability Fund Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$350,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

**Employee Medical Benefits**

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

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

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

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

**Claims Liabilities**

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2009:

	Self- Insurance
Liability Balance, July 1, 2007	\$ 2,831,205
Claims and changes in estimates	6,664,980
Claims payments	<u>(6,193,620)</u>
Liability Balance, June 30, 2008	3,302,565
Claims and changes in estimates	9,430,110
Claims payments	<u>(7,367,702)</u>
Liability Balance, June 30, 2009	<u>\$ 5,364,973</u>
Assets available to pay claims at June 30, 2009	<u>\$ 8,722,572</u>

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

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### CalSTRS

##### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

##### Funding Policy

Active members of the DB Plan are required to contribute 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$5,560,357, \$5,207,094, and \$5,000,706, respectively, and equal 100 percent of the required contributions for each year.

##### Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has obligations to CalSTRS totaling \$696,377 for early retirement incentives granted to terminated employees.

#### CalPERS

##### Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **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. The District's contribution rate to CalPERS for fiscal year 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$3,263,162, \$3,003,354, and \$2,702,097, respectively, and equaled 100 percent of the required contributions for each year.

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

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$3,029,760, \$2,824,786, and \$2,720,297 (4.517 percent) of salaries subject to CalSTRS for the years ending June 30, 2009, 2008, and 2007, respectively. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

#### **Deferred Compensation**

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

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

The San Diego County Office of Education Fringe Benefit Consortium is the Financial Agent for the District.

#### **Public Agency Retirement System (PARS)**

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

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

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes the total 7.5 percent. District employees are covered under PARS Number 763 as of June 30, 2009. Total contributions to the plan amounted to \$761,526.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### *NOTE 13 - COMMITMENTS AND CONTINGENCIES*

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

#### **Operating Leases**

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

Year Ending June 30,	Lease Payment
2010	\$ 216,339
2011	53,226
Total	<u>\$ 269,565</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008**

**Construction Commitments**

As of June 30, 2009, the District had the following budgetary commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Spent to Date	Budgeted Construction Commitment	Expected Fiscal Year Completion
Aquatic Project	\$ 1,176,122	\$ 12,855,003	11-12
Cosmo, Ceramic Bldg. Bridge, and Music Room Project	147,409	135,681	09-10
District ADA Transition Plan	457,691	5,902,309	11-12
Humanities Upgrade	50,181	91,290	09-10
MLK Stem Center	30,650	113,350	09-10
Moreno Valley - Network Operations Center	82,667	2,930,690	09-10
Moreno Valley Phase III	645,284	18,964,998	11-12
Moreno Valley - Allied Health Redistribution	1,133,967	3,663,624	11-12
Moreno Valley - ECS Upgrade and Retrofit Project	248,179	4,117	09-10
Moreno Valley - Health Science Center	94,271	27,375,729	11-12
Moreno Valley - Food Service Remodel	295,756	3,100,147	10-11
Moreno Valley - Parking Structure	110,310	29,889,690	10-11
Norco - Campus Beautification Project	89,978	41,563	09-10
Norco - Center for Health Wellness and Kinesiology	83,000	30,917,000	11-12
Norco - ECS Upgrade and Retrofit Project	117,827	255,204	09-10
Norco - Network Operations Center	13,147	1,586,853	09-10
Norco Student Support Center	2,573,756	17,420,744	11-12
Nursing/Science Project	5,379,832	79,778,701	11-12
P.E. Phase II	730,841	17,870,910	10-11
Quad Basement Remodel	12,960	454,540	09-10
Riverside - Black Box Theatre	25,846	735,904	09-10
Riverside School of the Arts	197,749	2,202,251	12-13
Stoko ECS Upgrade	46,325	543,127	09-10
Technology Building A Remodel	11,375	923,625	09-10
	<u>\$ 13,755,123</u>	<u>\$ 257,757,050</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State System's Office.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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#### **Deferral of State Apportionments**

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the Community College District System and the Riverside Community College District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was \$15.024 million. As of July 14, 2009, \$0 remains outstanding. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

#### ***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

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

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

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

During the year ended June 30, 2009, the District made payments of \$340,535, \$4,518, \$1,384,318, and \$434,161 to SELF, RCCCSSIPE, REEP, and ASCIP, respectively.

#### ***NOTE 15 - SUBSEQUENT EVENT***

The District issued \$10,725,000 of tax and revenue anticipation notes dated July 1, 2009. The notes mature on June 30, 2010, with an interest rate of 2.5 percent, and yield ranging from 0.53 to 0.60 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning February 2010 until 100 percent of principal and interest due is on account in June 2010.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
 PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unit Credit Cost Method (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b - a) / c]</b>
July 1, 2007	\$ -	\$ 9,766,024	\$ 9,766,024	\$ -	\$ 101,478,679	9.62%

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***SUPPLEMENTARY INFORMATION***

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## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### DISTRICT ORGANIZATION JUNE 30, 2009

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

#### BOARD OF TRUSTEES

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

#### ADMINISTRATION

Dr. Irving Hendrick <sup>(1)</sup>	Interim Chancellor
Dr. James L. Buysse	Vice Chancellor, Administration and Finance
Dr. Ray Maghroori	Vice Chancellor, Academic Affairs
Ms. Melissa Kane	Vice Chancellor, Diversity and Human Resources
Dr. Linda Lacy	Vice Chancellor, Student Services/Operations

<sup>(1)</sup> Dr. Gregory Gray, Chancellor as of July 1, 2009

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Water Quality Research	10.223	\$ 81,547
GS-5 Certified: Increasing Soil Science Education	10.223	25,986
Pass through California Department of Education (CDE) Child and Adult Care Food Program	10.558	22,412
Total U.S. Department of Agriculture		<u>129,945</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>		
Procurement Assistance Center (PAC)	12.002	251,871
<b>U.S. DEPARTMENT OF LABOR</b>		
<b>WORKFORCE INVESTMENT ACT</b>		
Pass through from the County of Riverside (EDA) WIA Cluster		
Title I Community College Education Assistance Center	17.258	184,397
ARRA - Summer Youth Employment Program	17.259	11,303
Subtotal WIA Cluster		<u>195,700</u>
Pass through from California Community College System's Office California Transportation and Logistics Institute (CaTLI)	17.269	87,340
Total U.S. Department of Labor		<u>283,040</u>
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>		
NEA Challenge America	45.024	10,000
<b>NATIONAL SCIENCE FOUNDATION</b>		
Advanced Technological Education (ATE)	47.076	78,240
Logistics Technicians: Goods to Go	47.076	115,638
National Center of Logistic and Supply Chain Tech Planning	47.076	40,887
Total National Science Foundation		<u>234,765</u>
<b>SMALL BUSINESS ADMINISTRATION</b>		
Pass through from California State University, Fullerton Auxiliary Services Corporation		
Small Business Development Center	59.037	325,477
Tri-Tech Small Business Development Center	59.037	14,281
Total Small Business Administration		<u>339,758</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>		
Veteran Outreach Program - Administration	64.000	5,103
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>TRIO Cluster</b>		
Student Support Services Program	84.042	239,709
Upward Bound Program	84.047	808,609
Subtotal TRIO Cluster		<u>1,048,318</u>

(Continued)

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued		
Student Financial Assistance Cluster		
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	\$ 673,337
FSEOG Administrative	84.007	37,216
Federal Family Education Loans (FFEL)	84.032	3,901,647
Federal Work Study Program (FWS)	84.033	736,399
Federal Work Study Administrative	84.033	43,892
Federal Pell Grants (PELL)	84.063	21,737,716
Federal Pell Administrative	84.063	45,151
Academic Competitiveness Grant (ACG)	84.375	41,075
Subtotal Student Financial Assistance Cluster		<u>27,216,433</u>
HIGHER EDUCATIONAL ACT		
Strengthening Institutions - Student Learning Cooperative	84.031	922,143
Strengthening Institutions - Hispanic Serving Institutions	84.031	568,826
Pass through from Chaffey Community College District		
Title V - Cooperative	84.031	252,784
CCRAA - Access to Success	84.031	200,027
CCRAA - Project Success Program	84.031	321,212
CCRAA - Step up to Success Cooperative	84.031	421,771
Subtotal Higher Education - Institutional Aid		<u>2,686,763</u>
Fund for Improvement of Post-Secondary Education (FIPSE)	84.116B	90,839
Child Care Access Means Parents in School (CCAMPIS)	84.335A	192,126
Pass through from University of California, Riverside		
Teacher Quality Enhancement Grants	84.336	108,900
Aurora	84.336	2,995
Copernicus Alliance Science through Literacy (CASTL)	84.336B	11,608
CAREER AND TECHNICAL EDUCATION ACT		
Passed through from California Community College System's Office		
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	164,880
Career and Technical Education, Title I-C	84.048	971,918
Technical Preparation Regional Coordination	84.243	180,194
Title II, Technical Preparation	84.243	243,901
Success by Design - A Demonstration Model for		
Institutional Partnerships Serving Out-of-School Youth	84.353A	139,434
REHABILITATION ACT		
Pass through from California Department of Rehabilitation		
Rehabilitation Services -		
Vocational Rehabilitation Grants to States	84.126	202,200
ELEMENTARY AND SECONDARY EDUCATION ACT		
FIE Earmark Grant Awards	84.215K	84,682
Total U.S. Department of Education		<u>33,345,191</u>

(Continued)

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Nurse Education, Practice, and Retention	93.359	\$ 381,537
Career Ladder, Nursing Education	93.359	7,544
Pass through from California Community College System's Office		
Temporary Assistance to Needy Families (TANF)	93.558	91,155
Foster Care Education Program	93.658	60,574
Pass through from Yosemite Community College District		
Early Childhood Study - Consortium Grant	93.575	17,466
Pass through from Foundation for California Community College (FCCC)		
Temporary Assistance to Needy Families (TANF) - CDC Program	93.575	141,372
Pass through from Riverside County Department of Public Social Services		
Foster Care Education Program	93.658	48,399
Independent Living Skills - Emancipation	93.674	1,084,742
Pass through from Riverside County Office of Education (RCOE)		
Independent Living Program	93.674	94,584
Pass through from California Department of Health Services		
Medical Assistance Program (MAA)	93.778	79,663
Total U.S. Department of Health and Human Services		<u>2,007,036</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Pass through from Foundation for California Community College (FCCC)		
Americorps	94.006	48,999
Total Federal Expenditures		<u>\$ 36,655,708</u>

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
Board Financial Assistance Program (BFAP)	\$ 94,691	\$ -	\$ 94,691
Basic Skills Reappropriation	-	74,813	74,813
Basic Skills and Immigrant Education	-	406,281	406,281
Basic Skills/ESL 2008-2009	650,988	522,542	1,173,530
Part Time Faculty Insurance	28,217	-	28,217
Part Time Faculty Office Hours	138,672	-	138,672
Part Time Faculty Compensation	1,160,915	-	1,160,915
Homeowner Property Tax Relief	432,426	-	432,426
Timber Tax Yield	42	-	42
State Tax Subventions	2,101	-	2,101
State Lottery	3,147,254	-	3,147,254
Career Exploration and Develop 7th and 8th Grade	-	123,732	123,732
CTE Fiscal Agent	6,916,000	-	6,916,000
CTE Strengthening Career Tech Ed SB 70	-	170,256	170,256
CTE Community Collaborative Project UNITE	469,700	-	469,700
CTE Community Collaborative Project 2008-2009	400,000	-	400,000
CTE Community Collaborative Project Supplement	100,000	-	100,000
CTE Teacher Preparation Pipeline	-	140,623	140,623
CTE Entrepreneurship Career Pathways	50,000	-	50,000
CTE Enrollment Growth and Retention AND-RN	736,738	-	736,738
CAHSEE Prep Program 2008-2009	65,000	-	65,000
Associate Degree Nursing Enroll Growth	-	-	-
California Articulation Number (CAN)	4,000	-	4,000
Song Brown Nursing 2007-2009	-	99,973	99,973
Song Brown Nursing 2008-2010	200,000	-	200,000
Song Brown RN Special Programs	66,448	-	66,448
Physician's Assistant Base	108,864	-	108,864
Nursing Capacity Building - Program Expansion	-	387,672	387,672
Nursing Capacity Building - Renovation FP3	-	143,334	143,334
Extended Opportunity Program and Service - (EOPS)	798,623	-	798,623
Extended Opportunity Program and Service - (EOPS/CARE)	135,643	-	135,643
Board Financial Assistance Program (BFAP)	893,456	-	893,456
Telecommunication Technology Infrastructure Program - TCO	-	10,291	10,291
Instructional Equipment and Library Materials	285,790	88,073	373,863
TTIP Plan E - Library Automation	36,036	-	36,036
Matriculation Grant	1,791,762	-	1,791,762
Matriculation Grant - Noncredit	-	-	-

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 94,691	\$ -	\$ -	\$ -	\$ 94,691	\$ 94,691
74,812	-	601	-	74,211	74,211
406,281	-	6,707	-	399,574	399,574
1,173,530	-	-	868,053	305,477	305,477
25,571	-	-	-	25,571	25,571
114,259	-	-	-	114,259	114,259
1,160,915	-	-	-	1,160,915	1,160,915
457,573	-	-	-	457,573	457,573
42	-	-	-	42	42
1,266	835	-	-	2,101	2,101
1,688,360	1,458,894	-	-	3,147,254	3,147,254
123,732	-	2,901	-	120,831	120,831
6,570,200	345,800	-	344,249	6,571,751	6,571,751
170,255	-	40,086	-	130,169	130,169
469,700	-	-	184,847	284,853	284,853
400,000	-	-	400,000	-	-
100,000	-	-	100,000	-	-
114,082	-	-	-	114,082	114,082
50,000	-	-	9,224	40,776	40,776
714,620	-	-	461,117	253,503	253,503
26,000	-	-	741	25,259	25,259
18	-	18	-	-	-
4,000	-	-	4,000	-	-
74,953	25,013	-	-	99,966	99,966
74,980	25,405	-	-	100,385	100,385
52,970	3,847	-	-	56,817	56,817
49,516	56,584	-	-	106,100	106,100
387,672	-	425	-	387,247	387,247
143,334	-	93	-	143,241	143,241
790,407	-	-	23,494	766,913	766,913
135,643	-	-	-	135,643	135,643
893,456	-	-	52,906	840,550	840,550
10,291	-	-	250	10,041	10,041
373,863	-	-	66,011	307,852	307,852
36,036	-	-	7	36,029	36,029
1,791,762	-	-	21,915	1,769,847	1,769,847
355	-	355	-	-	-

(Continued)

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Staff Development	\$ -	\$ 63,785	\$ 63,785
Foster Care Education Program	59,929	-	59,929
Middle College High School	121,846	11,575	133,421
Responsive Training Funds	-	66,291	66,291
Economic Development - Center for International Trade Development	205,000	-	205,000
Economic Development - Center for Applied Competitive Technology	205,000	-	205,000
EWD Regional Consortia Demonstration Project	90,890	-	90,890
Game Art - Mini Grant	9,000	-	9,000
IDRC Logistics/Mt. SAC	-	9,541	9,541
Teeth Are Us	128,655	-	128,655
Staff Diversity	25,236	73,917	99,153
Economic Development - Center for Applied Competitive Technology - HUB FP1	-	-	-
Economic Development - Center for International Trade Development - HUB FP1	-	-	-
Economic Development - Center for Applied Competitive Technology - HUB FP2	-	57,117	57,117
Economic Development - Center for International Trade Development - HUB FP2	-	21,740	21,740
Economic Development - Center for Applied Competitive Technology - HUB FP3	121,000	-	121,000
Economic Development - Center for International Trade Development - HUB FP3	121,000	-	121,000
Economic Development - Center for International Trade Development - C/O	-	31,445	31,445
CA Civil Liberties Public Ed Program	5,000	-	5,000
Disabled Student Program and Services - DSPS	1,989,652	-	1,989,652
Nursing Faculty Recruitment and Retention	-	207,442	207,442
CalWORKS	441,433	-	441,433
CalWORKS Community College Set-Aside	150,000	-	150,000
RCOE Zenith Mentoring Foster Youth/ILP	61,500	-	61,500
Equipment for Nursing and Allied Health Programs	-	35,641	35,641
Economic Development - CITD State Leadership	172,500	-	172,500
CA High School Exit Exam Prep	-	367,010	367,010
SFAA Augment C/O	-	48,654	48,654
Small Business Development Center State CCCCCO	50,000	-	50,000
State Lottery	512,151	-	512,151

See accompanying note to supplementary information.

Program Revenues						Program
Cash	Accounts	Accounts	Deferred	Total		Expenditures
Received	Receivable	Payable	Revenue	Revenue		
\$ 63,785	\$ -	\$ -	\$ 15,830	\$ 47,955	\$	47,955
47,127	14,975	-	-	62,102		62,102
24,309	108,526	-	-	132,835		132,835
51,596	-	-	-	51,596		51,596
172,200	32,800	-	-	205,000		205,000
180,678	-	-	20,315	160,363		160,363
76,348	-	-	40,949	35,399		35,399
-	7,810	-	-	7,810		7,810
8,441	-	-	-	8,441		8,441
-	77,927	-	-	77,927		77,927
99,153	-	-	61,720	37,433		37,433
4,406	-	4,406	-	-		-
15,434	-	15,434	-	-		-
37,936	15,309	-	-	53,245		53,245
2,380	19,360	-	-	21,740		21,740
101,640	12,641	-	-	114,281		114,281
101,640	17,743	-	-	119,383		119,383
31,444	-	32	-	31,412		31,412
3,750	1,250	-	-	5,000		5,000
1,988,009	1,643	-	-	1,989,652		1,989,652
207,440	-	-	172,984	34,456		34,456
441,433	-	2,487	-	438,946		438,946
125,018	-	-	-	125,018		125,018
360	60,255	-	-	60,615		60,615
35,641	-	-	3,342	32,299		32,299
145,900	26,600	-	-	172,500		172,500
190,936	-	-	-	190,936		190,936
48,654	-	-	-	48,654		48,654
42,000	7,994	-	-	49,994		49,994
11,485	347,546	-	-	359,031		359,031

(Continued)

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>CHILD DEVELOPMENT FUND</b>			
Campus Child Care Tax Bailout	\$ 143,552	\$ -	\$ 143,552
Child Nutrition Program	-	-	-
<b>STUDENT FINANCIAL AID FUND</b>			
Cal Grant B and C	1,732,874	-	1,732,874
Total State Programs			

See accompanying note to supplementary information.

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Program Revenues					
<u>Cash</u> <u>Received</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Deferred</u> <u>Revenue</u>	<u>Total</u> <u>Revenue</u>	<u>Program</u> <u>Expenditures</u>
\$ 143,552	\$ -	\$ -	\$ -	\$ 143,552	\$ 143,552
943	404	-	-	1,347	1,347
<u>1,732,874</u>	<u>2,370</u>	<u>86,567</u>	<u>-</u>	<u>1,648,677</u>	<u>1,648,677</u>
<u>\$ 24,891,657</u>	<u>\$ 2,671,531</u>	<u>\$ 160,112</u>	<u>\$ 2,851,954</u>	<u>\$ 24,551,122</u>	<u>\$ 24,551,122</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE  
 GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE  
 AS OF JUNE 30, 2009**

<b>CATEGORIES</b>	<u>Revised* Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Audited Data</u>
<b>Credit Full-Time Equivalent Student (FTES)</b>			
A. Summer Intersession (Summer 2008 only)			
1. Credit	2,645	-	2,645
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) - Weekly Census Contact Hours	19,651	-	19,651
(b) - Daily Census Contact Hours	3,287	-	3,287
2. Actual Hours of Attendance			
(a) - Credit	1,880	-	1,880
3. Independent Study/Work Experience			
(a) - Weekly Census Procedure Courses	1,833	-	1,833
(b) - Daily Census Procedure Courses	1,375	-	1,375
Subtotal	<u>30,671</u>	<u>-</u>	<u>30,671</u>
<b>Noncredit FTES</b>			
A. Summer Intersession (Summer 2008 only)			
1. Noncredit	49	-	49
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Actual Hours of Attendance			
(a) - Noncredit	249	-	249
2. Independent Study/Work Experience			
(a) - Noncredit Independent Study	-	-	-
Subtotal	<u>298</u>	<u>-</u>	<u>298</u>
Total FTES	<u>30,969</u>	<u>-</u>	<u>30,969</u>
<b>Supplemental Information (subset of above information)</b>			
In-Service Training Courses (FTES)			944
<b>Basic Skills Courses</b>			
1. Noncredit			-
2. Credit			2,556
Total Basic Skills FTES			<u>2,556</u>
<b>Comprehensive Center FTES</b>			
1. Noncredit			14,115
2. Credit			63
Total Comprehensive Center FTES			<u>14,178</u>

\*Annual report revised as of October 1, 2009.

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
 WITH FUND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u>General Fund</u>	<u>Internal Service Fund</u>
June 30, 2009, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	<u>\$ 13,253,849</u>	<u>\$ 4,022,520</u>
Adjustments to Decrease Fund Balance		
Accounts payable	80,868	-
Claims liability	<u>-</u>	<u>1,578,805</u>
Net Adjustments	<u>80,868</u>	<u>1,578,805</u>
Audited Fund Balance	<u><u>\$ 13,172,981</u></u>	<u><u>\$ 2,443,715</u></u>

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2009**

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

**Total Fund Balance and Due to Student Groups:**

General Funds	\$ 22,716,812
Special Revenue Funds	276,285
Capital Outlay Projects	81,230,787
Debt Service Funds	16,983,804
Proprietary Fund	2,443,715
Fiduciary Funds	<u>1,913,653</u>

**Total Fund Balance and Due to Student Groups**

**- All District Funds** **\$ 125,565,056**

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	272,072,591	
Accumulated depreciation is	<u>(56,904,780)</u>	215,167,811

Amounts held in trust on behalf of others (Trust and Agency Funds) (1,913,653)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (2,694,959)

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

Cost of issuance at year end amounted to: 949,227

Long-term obligations at year end consist of:

Bonds payable	145,296,859	
Capital leases payable	41,576	
Compensated absences	2,854,793	
Load banking	828,735	
Early retirement (Golden Handshake)	1,357,128	
Other postemployment benefits (OPEB)	956,725	
Less compensated absences already recorded in funds	<u>(809,706)</u>	<u>(150,526,110)</u>

**Total Net Assets** **\$ 186,547,372**

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2009**

**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

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

**Schedule of Expenditures of Federal Awards**

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

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

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 32,754,061
Federal Family Education Loans (FFEL)	84.032	3,901,647
Total Expenditures of Federal Awards		<u>\$ 36,655,708</u>

**Subrecipients**

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Water Quality Research	10.223	\$ 56,027
GS-5 Certified: Increasing Soil Science Education	10.223	17,124
Logistics Technicians: Goods to Go	47.076	36,839
National Center of Logistic and Supply Chain Tech Planning	47.076	21,347
Strengthening Institutions - Student Learning Cooperative	84.031S	162,290
CCRAA - Step Up to Success Cooperative	84.031C	89,192
Technical Preparation Regional Coordination	84.243	132,537
Title II, Technical Preparation	84.243	75,714
Independent Living Skills - Emancipation	93.674	67,134
Total Pass-Through		<u>\$ 658,204</u>

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009**

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#### **Schedule of Expenditures of State Awards**

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

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

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

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements**

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

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

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

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited the financial statements of the business-type activities of Riverside Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 20, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Riverside Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as referenced at 2009-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Riverside Community College District in a separate letter dated November 20, 2009.

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

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2009



**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

**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, 2009. Riverside Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Riverside Community College District's management. Our responsibility is to express an opinion on Riverside Community College District's compliance based on our audit.

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

**Internal Control Over Compliance**

The management of Riverside Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Riverside Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverside Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day, & Co. LLP

Rancho Cucamonga, California  
November 20, 2009



## REPORT ON STATE COMPLIANCE

Board of Trustees  
Riverside Community College District  
Riverside, California

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Riverside Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Riverside Community College District's compliance with those requirements.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

### Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

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

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

## **Fiscal Operations**

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

Section 431: Gann Limit Calculation

## **Student Services**

Section 428: Use of Matriculation Funds

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

## **Facilities**

Section 434: Scheduled Maintenance Program

In our opinion, Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3.

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

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System'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.

*Vaurinek, Irine Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2009

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
 FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, and 84.375	Student Financial Assistance Cluster
<u>17.258 and 17.259</u>	<u>WIA Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,099,671</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

#### **2009-1 Finding - Audit Adjustments of Estimated Claims Liability**

##### **Criteria or Specific Requirement**

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

##### **Condition**

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

##### **Isolated Instance or Systemic**

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

##### **Questioned Costs**

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

##### **Effect**

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

##### **Recommendation**

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

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009**

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#### **District Response and Planned Corrective Actions**

The District has employed a well tested methodology for determining its estimated claims liability each year. Said methodology has been considered satisfactory internally and by audit firms over the ten years since it was first implemented. However, we concur that there were mathematical errors in the most recent calculation, and hence, that internal controls should be strengthened. In this regard, in the future, the District will periodically engage the services of an actuary to test the currency and validity of its methodology and assumptions. This process will begin with the fiscal 2010 audit and be repeated every five years thereafter.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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

#### 2009-2 Finding - Concurrent Enrollment

##### Criteria or Specific Requirement

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

##### Condition

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

##### Isolated Instance or Systemic

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

##### Questioned Costs

\$10,050 - approximately

##### Effect

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

##### Recommendation

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### District Response and Planned Corrective Actions

Concurrently Enrolled Students (Special Enrolled Students K12) are billed within Datatel (Student System) at \$0.00 per unit plus the Student Services Fee and Health Services fees. Students are blocked from enrolling in greater than 11 units, unless that restriction is over written by appropriate College/Campus personnel. The District's Information Services and Accounting Services departments researched this problem and found that 40 student records were impacted during fiscal year 2008-2009. This resulted in the loss of tuition revenue in the amount of approximately \$10,500. The majority of the instances occurred at the Moreno Valley campus with students from their Middle College High School and Nuview programs. Information Services department has corrected the billing system to ensure all Special Enrolled Students are billed for all units taken if a student is enrolled in greater than 11 units in a semester.

For future terms starting in fiscal year 2009-2010, the following procedures will be in place:

- The campus administration will communicate to the program directors on the limitations in terms of units and the implication on the tuition fees.
- The campus administration will also keep the students/parents and other entities informed due to the impact by this regulation at all times.
- No concurrently enrolled students should be allowed to register in more than 11 units.
- If for any administrative reason the students are allowed to enroll in more than 11 units, the campus will ensure that procedures are in place for billing.

#### 2009-3 Finding - Ineligible CalWORKs recipients were provided services

##### Program

CalWORKs - Use of State and Federal TANF Funding

##### Award Year

2008-2009

##### Criteria or Specific Requirement

- *Education Code* Sections 79200-79203 and 84759
- 2007-08 *Final Budget Summary*, Page 630, Item 6870-101-0001, Provision 15; and Page 646, Item 6870-111-0001, Provision 2  
[http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/fbudsum\\_07.pdf](http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/fbudsum_07.pdf)
- Chancellor's Office CalWORKs Program Handbook Guidelines\_2007-08
- *Clarification on CalWORKs Supplantation Prohibition*, Chancellor's Office Letter, March 13, 2006 (See Appendix M)  
OMB A-133 Compliance Supplement

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### **Condition**

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

#### **Isolated Instance or Systemic**

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

#### **Questioned Costs**

None noted.

#### **Effect**

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

#### **Recommendation**

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

#### **District Response and Planned Corrective Actions**

To comply with CalWORKs and Education Code requirements in the future, we have implemented the following practices:

1. Eligibility documentation must be provided by all new referrals at or before the CalWORKs student's first appointment with a counselor. Acceptable documentation includes a Notice of Action (NOA), a Department of Public Social Services generated referral, or a Department of Public Social Services Welfare-to-Work Plan.
2. Each term (summer, fall, winter, and spring), Riverside Community College District creates a list of all CalWORKs students enrolled at the Riverside, Moreno Valley, or Norco campuses. This list is submitted electronically to Riverside County Department of Public Social Services (DPSS) for verification of eligibility. DPSS returns the list to the District identifying those students who are receiving cash assistance. This meets eligibility requirements for these students, and they are eligible for services.
3. Prior to the end of each term, every CalWORKs student's file will be internally audited to verify that appropriate and timely eligibility documentation is physically in the file.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009**

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4. All files for CalWORKs participants who are identified as "post-employment" will be internally audited to verify appropriate employment and wage information is physically in the file.
5. Any student who is not verified by the above process will be required to provide eligibility documentation prior to receiving any services.
6. No student will be input to MIS data (submitted to California Community College Chancellor's Office) until eligibility has been verified.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

#### STATE AWARD FINDINGS

##### 2008-1 Finding

###### **Ineligible CalWORKs recipients were provided services.**

**Program:** CalWORKs – Use of State and Federal TANF Funding

**Award Year:** 2007-2008

**Questioned Costs:** None could be determined.

###### **Program Affected**

###### **CalWORKs**

###### **Criteria**

- *Education Code* Sections 79200-79203 and 84759
- 2007-08 *Final Budget Summary*, Page 630, Item 6870-101-0001, Provision 15; and Page 646, Item 6870-111-0001, Provision 2  
[http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/fbudsum\\_07.pdf](http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/fbudsum_07.pdf)
- Chancellor's Office CalWORKs Program Handbook Guidelines\_2007-08
- *Clarification on CalWORKs Supplantation Prohibition*, Chancellor's Office Letter, March 13, 2006 (See Appendix M)

###### **Condition**

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

###### **Questioned Costs**

None could be determined.

###### **Isolated Instance or Systemic**

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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#### **Effect**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
 BALANCE SHEETS  
 JUNE 30, 2009**

	<u>General Unrestricted</u>	<u>General Restricted</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 227,296	\$ 75,328
Investments	1,717,324	7,744,455
Accounts receivable	20,800,230	5,960,868
Due from other funds	48,544	656,637
Prepaid expenses	104,068	20,972
Inventories	-	-
<b>Total Assets</b>	<u><u>\$22,897,462</u></u>	<u><u>\$14,458,260</u></u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 7,021,517	\$ 1,611,705
Due to other funds	1,359,772	20,188
Deferred revenue	1,343,192	3,282,536
<b>Total Liabilities</b>	<u><u>9,724,481</u></u>	<u><u>4,914,429</u></u>
<b>FUND EQUITY</b>		
Fund Balances		
Reserved	104,068	9,543,831
Unreserved		
Designated	900,000	-
Undesignated	12,168,913	-
<b>Total Fund Equity</b>	<u><u>13,172,981</u></u>	<u><u>9,543,831</u></u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$22,897,462</u></u>	<u><u>\$14,458,260</u></u>

See accompanying note to additional supplementary information.

<u>Special Revenue</u>			<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Fund (Memorandum Only)</u>
<u>Food Service</u>	<u>Child Development</u>	<u>R.C.C.D. Development Corporation</u>	<u>Capital Outlay Projects</u>	<u>Bond Interest and Redemption</u>	
\$ 14,110	\$ 15,437	\$ 16,238	\$ -	\$ -	\$ 348,409
149,052	136,736	-	78,486,069	16,983,804	105,217,440
8,306	42,100	-	9,243,341	-	36,054,845
20,676	5,719	-	618,283	-	1,349,859
-	-	-	-	-	125,040
29,051	-	-	-	-	29,051
<u>\$ 221,195</u>	<u>\$ 199,992</u>	<u>\$ 16,238</u>	<u>\$ 88,347,693</u>	<u>\$ 16,983,804</u>	<u>\$ 143,124,644</u>
\$ 75,882	\$ 82,927	\$ -	\$ 7,116,906	\$ -	\$ 15,908,937
404	1,927	-	-	-	1,382,291
-	-	-	-	-	4,625,728
<u>76,286</u>	<u>84,854</u>	<u>-</u>	<u>7,116,906</u>	<u>-</u>	<u>21,916,956</u>
29,051	-	-	-	-	9,676,950
-	-	-	-	16,983,804	17,883,804
<u>115,858</u>	<u>115,138</u>	<u>16,238</u>	<u>81,230,787</u>	<u>-</u>	<u>93,646,934</u>
<u>144,909</u>	<u>115,138</u>	<u>16,238</u>	<u>81,230,787</u>	<u>16,983,804</u>	<u>121,207,688</u>
<u>\$ 221,195</u>	<u>\$ 199,992</u>	<u>\$ 16,238</u>	<u>\$ 88,347,693</u>	<u>\$ 16,983,804</u>	<u>\$ 143,124,644</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Unrestricted</u>	<u>General Restricted</u>
<b>REVENUES</b>		
Federal revenues	\$ 142,432	\$ 9,321,027
State revenues	95,809,679	17,755,143
Local revenues	46,476,891	6,485,856
<b>Total Revenues</b>	<u>142,429,002</u>	<u>33,562,026</u>
<b>EXPENDITURES</b>		
Current Expenditures		
Academic salaries	69,645,020	4,024,414
Classified salaries	31,013,643	9,204,615
Employee benefits	26,232,389	3,611,535
Books and supplies	2,509,640	1,865,779
Services and operating expenditures	14,221,226	10,725,872
Capital outlay	2,314,496	2,037,115
Debt service - principal	14,674	-
Debt service - interest and other	-	-
<b>Total Expenditures</b>	<u>145,951,088</u>	<u>31,469,330</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,522,086)</u>	<u>2,092,696</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	(820,241)	820,241
Operating transfers out	(1,291,930)	-
Other sources	6,220	-
Other uses	-	(364,986)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,105,951)</u>	<u>455,255</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(5,628,037)</u>	<u>2,547,951</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>18,801,018</u>	<u>6,995,880</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 13,172,981</u>	<u>\$ 9,543,831</u>

See accompanying note to additional supplementary information.

Special Revenue			Capital Project	Debt Service	Total Governmental Fund (Memorandum Only)
Food Service	Child Development	R.C.C.D Development Corporation	Capital Outlay Projects	Bond Interest and Redemption	
\$ -	\$ 102,075	\$ -	\$ -	\$ -	\$ 9,565,534
-	144,899	-	13,148,656	106,154	126,964,531
1,367,091	1,130,974	6	2,123,891	11,697,572	69,282,281
<u>1,367,091</u>	<u>1,377,948</u>	<u>6</u>	<u>15,272,547</u>	<u>11,803,726</u>	<u>205,812,346</u>
-	996,132	-	-	-	74,665,566
687,645	331,172	-	53,624	-	41,290,699
286,990	220,824	-	24,124	-	30,375,862
736,518	64,924	-	2,619	-	5,179,480
286,560	61,576	20	371,536	-	25,666,790
60,693	15,527	-	32,727,233	-	37,155,064
-	-	-	-	6,385,000	6,399,674
-	-	-	-	6,603,550	6,603,550
<u>2,058,406</u>	<u>1,690,155</u>	<u>20</u>	<u>33,179,136</u>	<u>12,988,550</u>	<u>227,336,685</u>
(691,315)	(312,207)	(14)	(17,906,589)	(1,184,824)	(21,524,339)
676,930	365,000	-	-	-	1,041,930
-	-	-	-	-	(1,291,930)
-	-	-	-	-	6,220
-	-	-	-	-	(364,986)
<u>676,930</u>	<u>365,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(608,766)</u>
(14,385)	52,793	(14)	(17,906,589)	(1,184,824)	(22,133,105)
159,294	62,345	16,252	99,137,376	18,168,628	143,340,793
<u>\$ 144,909</u>	<u>\$ 115,138</u>	<u>\$ 16,238</u>	<u>\$ 81,230,787</u>	<u>\$ 16,983,804</u>	<u>\$ 121,207,688</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
 BALANCE SHEETS  
 JUNE 30, 2009**

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	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,425
Investments	8,702,147
Accounts receivable	282,427
Due from other funds	970
<b>Total Assets</b>	<u><u>\$ 9,005,969</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 40,569
Deferred revenue	1,156,712
Claim liabilities	5,364,973
<b>Total Liabilities</b>	<u><u>6,562,254</u></u>
<b>FUND EQUITY</b>	
Retained earnings	<u>2,443,715</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 9,005,969</u></u>

See accompanying note to additional supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
 RETAINED EARNINGS  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u><b>Internal Service Fund</b></u>
<b>OPERATING REVENUES</b>	
District premiums	<u>\$ 6,243,720</u>
<b>OPERATING EXPENSES</b>	
Classified salaries	246,049
Employee benefits	83,718
Books and supplies	2,519
Services and other operating expenditures	7,893,810
Capital outlay	38,291
<b>Total Operating Expenses</b>	<u>8,264,387</u>
<b>Operating Loss</b>	<u>(2,020,667)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	181,467
Miscellaneous revenues	21,531
Operating transfers in	250,000
<b>Total Nonoperating Revenues</b>	<u>452,998</u>
<b>NET LOSS</b>	(1,567,669)
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>4,011,384</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$ 2,443,715</u></u>

See accompanying note to additional supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (2,020,667)
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Operating Activities	
Increase in accounts receivable	(197,863)
Decrease in due from other funds	3,301
Increase in accounts payable	1,908
Increase in claims liabilities	2,062,408
Increase in deferred revenue	67,774
Net Cash Flows from Operating Activities	<u>(83,139)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	181,467
Other nonoperating income	21,531
Transfers in	250,000
Net Cash Flows from Investing Activities	<u>452,998</u>
Net increase in cash and cash equivalents	369,859
Cash and cash equivalents - Beginning	8,352,713
Cash and cash equivalents - Ending	<u><u>\$ 8,722,572</u></u>
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>	
Cash in banks	\$ 20,425
Cash in county pooled investment	8,702,147
	<u><u>\$ 8,722,572</u></u>

See accompanying note to additional supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
 BALANCE SHEETS  
 JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,880,585	\$ 162,542	\$ 2,043,127
Accounts receivable	7,563	30,431	37,994
Due from other funds	74,130	46,853	120,983
<b>Total Assets</b>	<b>\$ 1,962,278</b>	<b>\$ 239,826</b>	<b>\$ 2,202,104</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 20,708	\$ 178,222	\$ 198,930
Due to other funds	27,917	61,604	89,521
Due to student groups	1,015,519	-	1,015,519
<b>Total Liabilities</b>	<b>1,064,144</b>	<b>239,826</b>	<b>1,303,970</b>
<b>FUND EQUITY</b>			
Fund Balances			
Unreserved			
Undesignated	898,134	-	898,134
<b>Total Fund Equity</b>	<b>898,134</b>	<b>-</b>	<b>898,134</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,962,278</b>	<b>\$ 239,826</b>	<b>\$ 2,202,104</b>

See accompanying note to additional supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Total</b>
<b>REVENUES</b>			
Federal revenues	\$ -	\$ 23,188,527	\$ 23,188,527
State revenues	-	1,648,677	1,648,677
Local revenues	699,588	-	699,588
<b>Total Revenues</b>	<u>699,588</u>	<u>24,837,204</u>	<u>25,536,792</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Services and operating expenditures	276,505	-	276,505
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(297,836)</u>	<u>24,837,204</u>	<u>24,539,368</u>
<b>OTHER FINANCING USES</b>			
Other uses	-	(24,837,204)	(24,837,204)
<b>EXCESS OF REVENUES UNDER EXPENDITURES AND OTHER USES</b>	(304,025)	-	(304,025)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,202,159</u>	<u>-</u>	<u>1,202,159</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 898,134</u>	<u>\$ -</u>	<u>\$ 898,134</u>

See accompanying note to additional supplementary information.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2009**

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#### ***NOTE 1 - PURPOSE OF SCHEDULES***

##### **Fund Financial Statements**

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



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

We have audited the basic financial statements of the business-type activities of Riverside Community College District (the District) for the year ended June 30, 2009, and have issued our report thereon dated November 20, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated March 3, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Riverside Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Riverside Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Riverside Community College 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 Riverside Community College District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Riverside Community College District's compliance with those requirements.

Planned Scope and Timing of the Audit

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

To the Board of Trustees  
Riverside Community College District  
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### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the 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. During the 2008-2009 year, the District was required to implement provisions of Governmental Accounting Standards Board (GASB) Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The effect of the implementation required the District to recognize a current net obligation in the amount of \$956,725 in the financial statements, and disclose the Actuarial Accrued Liability in the Required Supplementary Information section of the audit report in the amount of \$9,766,204. This liability will be amortized over a 30 year period within the financial statements of the District.

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

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

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: Mathematical errors were noted on loss development calculations that were used for the variability of claims liability that resulted in an adjustment of \$1,578,805 in the Internal Service Fund for claims liability.

#### *Disagreements with Management*

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

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

We have requested certain representations from management that are included in the management representation letter dated November 20, 2009.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2009



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

In planning and performing our audit of the financial statements of Riverside Community College District (the District) for the year ended June 30, 2009, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements, that is more than inconsequential, will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be control deficiencies in internal control. However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. We consider the following deficiencies to be control deficiencies in internal controls.

#### ***CURRENT YEAR MANAGEMENT COMMENTS***

##### ***Proper Job Title Descriptions and Budget Codes***

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

##### ***Recommendation***

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

##### ***Management Response***

The instance noted above was for a non-classified short-term employee who performed instructional duties yet was paid at the higher hourly rate of an Office Assistant rather than the rate for an Instructional Aide. This issue was discussed with the Math/Math Learning Department on the Riverside campus who indicated that the employee performs instructional duties for the department and has for years.

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

A list of job duties for short-term employees performing instructional duties will be prepared. A memo will be issued to each campus reminding them to use the appropriate job title of instructional aide on the Non-Classified Short-Term and Substitute Employee Assignment Authorization Form when hiring short-term employees to perform these duties.

### ***Riverside Community College District Foundation's Debt Obligation***

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

### ***Recommendation***

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

### ***Management Response***

District and Foundation management are taking several steps to address the unrestricted fund deficit. District staff has approved the extension of the fundraising component of the campaign, knowing that unrestricted dollars are typically secured at the end of a campaign. The Foundation and District staffs have entered into discussions regarding modification of the Major Gift Campaign agreement as it relates to the repayment schedule.

Two additional measures have been undertaken that will increase unrestricted income. At its September 15, 2009, meeting, the Riverside Community College District Foundation Board of Directors voted to institute a five percent fee on all gifts to the Foundation. This fee will be transferred to the Foundation's unrestricted fund to be used to repay funds borrowed from the District. In addition, in fiscal year 2009-2010, the Foundation will establish a new gift club, membership in which is available to all donors who contribute unrestricted dollars at specific gift levels. Management believes these two actions will provide a new and dependable income stream and, along with future investment returns, will be used in part to repay borrowed funds, as well as to support other priorities as determined on an annual basis by the Foundation Board.

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

### ***PRIOR YEAR MANAGEMENT COMMENTS***

#### ***Compensation for Personal Services for Federal Programs***

We identified the following control deficiencies regarding compensation for personal services for federally funded programs, the effect of which was determined to be inconsequential to the financial statements in accordance with guidance from the OMB. However, the controls over the procedures are noted here.

- The Riverside campus TRIO Cluster program did not timely prepare documentation to support payroll data in accordance with OMB A-21, Cost Principles for Educational Institutions. It was noted only one individual was subject to this compliance requirement. The required documentation was not completed until after the request for information was given.
- The Norco campus TRIO Cluster program overstated payroll expenditures by \$1,263.29. It was noted that an allocation adjustment was incorrectly calculated and recorded for one individual, which resulted in the overstatement of payroll expense to the program. Supporting documentation was provided to verify that a second adjustment was made to the program expenses after the audit identified the control deficiency.

#### ***Recommendation***

The District's Grants and Contracts Office should develop specific written procedures based on the OMB A-21, Cost Principles for Education Institutions, that will be provided to all District managers of Federal programs to ensure that salary and benefit costs, which are allocated to programs, are documented appropriately. The program managers should review the certifications and/or personnel activity reports to ensure any payroll allocation adjustments made are supported by adequate documentation.

#### ***Current Status***

The recommendation has been implemented by the District.

We appreciate the time and assistance the staff of the District has provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2009-2010 fiscal year.

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

*Vaurinek, Jine Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2009