



**Board of Trustees - Regular Meeting  
Tuesday, December 11, 2018 6:00 PM  
District Office, Board Room, 3801 Market Street,  
Riverside, CA 92501**

**ORDER OF BUSINESS**

**Pledge of Allegiance**

Anyone who wishes to make a presentation to the Board on an agenda item is requested to please fill out a "REQUEST TO ADDRESS THE BOARD OF TRUSTEES" card, available from the Public Affairs Officer. However, the Board Chairperson will invite comments on specific agenda items during the meeting before final votes are taken. Please make sure that the Secretary of the Board has the correct spelling of your name and address to maintain proper records. Comments should be limited to five (5) minutes or less. (This time limit will be doubled for members of the public utilizing a translator to ensure the non-English speaker receives the same opportunity to directly address the Board, unless simultaneous translation equipment is used.)

Anyone who requires a disability-related modification or accommodation in order to participate in any meeting should contact the Chancellor's Office at (951) 222-8801 and speak to an Executive Administrative Assistant as far in advance of the meeting as possible.

Any public records relating to an open session agenda item that is distributed within 72 hours prior to the meeting is available for public inspection at the Riverside Community College District Chancellor's Office, 3rd Floor, 3801 Market Street, Riverside, California, 92501 or online at [www.rccd.edu/administration/board](http://www.rccd.edu/administration/board).

I. COMMENTS FROM THE PUBLIC

*Board invites comments from the public regarding any matters within the jurisdiction of the Board of Trustees. Pursuant to the Ralph M. Brown Act, the Board cannot address or respond to comments made under Public Comment.*

II. APPROVAL OF MINUTES

A. [Minutes of the Board of Trustees Regular/Committee Meeting of October 30, 2018](#)

*Recommend approving the October 30, 2018 Board of Trustee Regular/Committee Meeting minutes as prepared.*

B. [Minutes of the Board of Trustees Regular Meeting of November 13, 2018](#)

*Recommend approving the November 13, 2018 Board of Trustee Regular Meeting minutes as prepared.*

III. PUBLIC HEARING (NONE)

IV. CHANCELLOR'S REPORTS

A. [Chancellor's Communications](#)

*Information Only*

B. [Presentation of Student Trustee Scholarship Award for Fall 2018](#)

*Information Only*

C. [Norco College Military Articulation Platform](#)

*Information Only*

D. [Healthcare Update](#)

*Information Only*

- E. [Future Monthly Committee Agenda Planner and Annual Master Planning Calendar](#)  
*Information Only*
- V. STUDENT REPORT
  - A. [Student Report](#)  
*Information Only*
- VI. CONSENT AGENDA ACTION
  - A. Diversity/Human Resources
    - 1. [Academic Personnel](#)  
*Recommend approving/ratifying academic personnel actions.*
    - 2. [Classified Personnel](#)  
*Recommend approving/ratifying classified personnel actions.*
    - 3. [Other Personnel](#)  
*Recommend approving/ratifying other personnel actions.*
  - B. District Business
    - 1. [Purchase Order and Warrant Report – All District Resources](#)  
*Recommend approving/ratifying the Purchase Orders and Purchase Order Additions totaling \$2,892,954, and District Warrant Claims totaling \$5,155,936.*
    - 2. Budget Adjustments
      - a. [Budget Adjustments](#)  
*Recommend approving the budget transfers as presented.*
    - 3. Resolution(s) to Amend Budget
      - a. [Resolution No. 24-18/19 – 2018-2019 Growing Inland Achievement Grant](#)  
*Recommend approving adding the revenue and expenditures of \$8,000 to the budget.*
      - b. [Resolution No. 25-18/19 – 2018-2019 Hunger Free Campus Support Allocation](#)  
*Recommend adding the revenue and expenditures of \$257,127 to the budget.*
      - c. [Resolution No. 26-18/19 – 2018-2019 Strong Workforce Program](#)  
*Recommend approving adding the revenue and expenditures of \$724,107 to the budget.*
      - d. [Resolution No. 27-18/19 – 2018-2019 Mental Health Support Allocation](#)  
*Recommend adding the revenue and expenditures of \$263,720 to the budget.*
      - e. [Resolution No. 28-18/19 – 2018-2019 K-12 Strong Workforce Program](#)  
*Recommend adding the revenue and expenditures of \$18,961,442 to the budget.*
      - f. [Resolution No. 29-18/19 – 2018-2019 Gateway to College](#)  
*Recommend adding the revenue and expenditures of \$50,000 to the budget.*
      - g. [Resolution No. 30-18/19 – 2018-2019 Upward Bound TRIO Patriot HS](#)  
*Recommend adding the revenue and expenditures of \$17,655 to the budget.*
      - h. [Resolution No. 31-18/19 – 2018-2019 Upward Bound TRIO Jurupa Valley](#)  
*Recommend adding the revenue and expenditures of \$18,537 to the budget.*
      - i. [Resolution No. 32-18/19 – 2018-2019 CalWorks Set-Aside Agreement](#)  
*Recommend adding the revenue and expenditures of \$100,000 to the budget.*

4. Contingency Budget Adjustments (None)
5. Bid Awards
  - a. [Funding Allocation and Agreement for Moreno Valley College Comprehensive Master Plan Update with the DLR Group](#)  
*Recommend approving the allocation of \$373,000 from Measure C Funds for the Moreno Valley College Comprehensive Master Plan Update; and consulting services agreement with the DLR Group in the amount of \$373,000.*
  - b. [Agreement for Norco College 2019-2024 Facilities Master Plan with the DLR Group](#)  
*Recommend approving the consulting services agreement for Norco College's 2019-2024 Facilities Master Plan with the DLR Group in the amount of \$267,000.*
  - c. [Purchase Swimming Pool Chemicals and Supplies, Utilizing the Los Angeles Unified School District Contract Number 4400006668](#)  
*Recommend approving the purchase of swimming pool chemicals and supplies from Waterline Technologies, Inc., utilizing the Los Angeles Unified School District Contract Number 4400006668.*
  - d. [Bid Award for the Site Accessibility Improvements Project](#)  
*Recommend awarding Bid Number 2018/19-13, Site Accessibility Improvements Project, in the total amount of \$790,000 to ABNY General Engineering, Inc.*
  - e. [Bid Award for the Data Room Fire Suppression System Upgrade Project](#)  
*Recommend awarding Bid Number 2018/19-10, Data Room Fire Suppression System Upgrade Project, in the total amount of \$149,750 to Torga Electrical.*
  - f. [Purchase Software Applications and Educational Resources Utilizing the Foundation for California Community Colleges negotiated agreement number RFQ #13-003](#)  
*Recommend approving the purchase of software applications and educational resources from ThinkEDU, LLC, utilizing the Foundation for California Community Colleges negotiated agreement number RFQ #13-003.*
  - g. [Purchase and Warranty of Furniture Products and Accessories, Utilizing the California Multiple Award Schedules \(CMAS\) Contract Number 4-13-71-0110B](#)  
*Recommend approving the purchase and warranty of furniture products and accessories, from Computer Comforts, Inc., utilizing CMAS contract number 4-13-71-0110B.*
6. Grants, Contracts and Agreements
  - a. [Contracts and Agreements Report Less than \\$90,200 – All District Resources](#)  
*Recommend ratifying contracts totaling \$369,252 for the period of November 1, 2018 through November 25, 2018.*
  - b. [Agreement Amendment with Interact Communications for the Strong Workforce Program Inland Empire/Desert Regional Consortium](#)  
*Recommend approving the agreement amendment extension for the period of January 1, 2019 through August 31, 2019.*
  - c. [Agreements for Automated Teller Machines and Student Identification Cards with Wells Fargo Bank](#)  
*Recommend approving professional service agreements with Wells Fargo Bank to provide automated teller machines and student identification cards.*

7. **Out-of-State Travel**  
*Recommend approving out-of-state travel.*
8. **Other Items**
  - a. **Project Savings Reconciliation to Adjust Measure C Project Budgets**  
*Recommend approving the adjusted budgets for the projects identified on the Project Savings Reconciliation report and return the project savings totaling \$3,689,245 to the originating college/district/fund.*
  - b. **Signature Authorization**  
*Recommend certifying the verified signatures of each Trustee and authorize designated District administrators to sign vendor warrant orders, salary payment orders, notices of employment, bank checks, investment and brokerage accounts, purchase orders, change orders, and grant documents.*
  - c. **Surplus Property**  
*Recommend by unanimous vote declaring the property on the attached list to be surplus; finding the property does not exceed the total value of \$5,000; and authorizing the property to be consigned to The Liquidation Company to be sold on behalf of the District.*
  - d. **Notice of Completion**  
*Recommend accepting the project listed on the attachment as complete, and approving the execution of the Notice of Completion (under Civil Code Section 3093 – Public Works).*

VII. **CONSENT AGENDA INFORMATION**

- A. **Capital Program Executive Summary Report –November 2018**  
*Information Only*
- B. **Monthly Financial Report for Month Ending – November 30, 2018**  
*Information Only*

VIII. **BOARD COMMITTEE REPORTS**

- A. Governance (None)
- B. Teaching and Learning
  1. **Proposed Curricular Changes**  
*Recommend approving the proposed curricular changes for inclusion in the college catalogs and in the schedule of class offerings.*
- C. **Planning and Operations (None)**
- D. **Resources**
  1. **2017-2018 Independent Audit Report for the Riverside Community College District Foundation**  
*Recommend accepting the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2018 for the permanent file of the District.*
  2. **2017-2018 Proposition 39 Independent Financial and Performance Audits**  
*Recommend accepting the Proposition 39 independent financial and performance audits of the District's Measure C general obligation bond for the year ended June 30, 2018 for the permanent file of the District.*
  3. **2017-2018 Independent Audit Report for the Riverside Community College District**  
*Recommend accepting the Riverside Community College District's independent audit report for the year ended June 30, 2018 for the permanent file of the District.*

- E. Facilities (None)
- IX. ADMINISTRATIVE REPORTS
  - A. Vice Chancellors
  - B. Presidents
- X. ACADEMIC SENATE REPORTS
  - A. Moreno Valley College
  - B. Norco College/Riverside Community College District
  - C. Riverside City College
- XI. BARGAINING UNIT REPORTS
  - A. CTA - California Teachers Association
  - B. CSEA - California School Employees Association
- XII. BUSINESS FROM BOARD MEMBERS
  - A. [Update from Members of the Board of Trustees on Business of the Board.](#)  
*Information Only*
- XIII. CLOSED SESSION
  - A. [Employee Appeal From the District's Administrative Determination, pursuant to Title 5, Cal. Code Regs., Section 59338, regarding Complaint of Discrimination - One \(1\) Case](#)  
*Recommended Action to be Determined.*
- XIV. ADJOURNMENT

## Agenda Item (II-A)

Meeting	12/11/2018 - Regular
Agenda Item	Approval of Minutes (II-A)
Subject	Minutes of the Board of Trustees Regular/Committee Meeting of October 30, 2018
College/District	District
Funding	n/a
Recommended Action	It is recommended that the Board of Trustees review and approve the minutes.

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### Background Narrative:

Recommended approving the October 30, 2018 Board of Trustees Regular/Committee meeting minutes as prepared.

Prepared By: Wolde-Ab Isaac, Chancellor

### Attachments:

[10302018 Minutes](#)

## Agenda Item (VIII-D-1)

Meeting	12/11/2018 - Regular
Agenda Item	Committee - Resources (VIII-D-1)
Subject	2017-2018 Independent Audit Report for the Riverside Community College District Foundation
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2018 for the permanent file of the District.

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### Background Narrative:

An independent audit of the Foundation's 2017-2018 financial statements was performed by CliftonLarsenAllen, LLP Certified Public Accountants (CLA). A representative of the firm will be available to present the report. Results of the audit are summarized below.

- Auditor's Opinion – The auditors have issued an unmodified opinion for the financial audit as of June 30, 2018, which is also known as a "clean" opinion. Unmodified is the highest level of assurance the auditors can provide of the four available opinions and indicates the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.
- Audit Findings – There were no findings or questioned costs.
- Auditor's Required Communication – In accordance with the U.S. Auditing Standards AU-C 260, at the conclusion of the audit engagement CLA is required to communicate information to the Board of Trustees regarding their responsibility under Generally Accepted Auditing Standards (GAAS). Attached for your information is the required communication.
- The audit report was presented to and accepted by the Foundation's Board of Directors on November 13, 2018.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services  
Launa K. Wilson, District Foundation Executive Director  
Melissa Elwood, Controller

### Attachments:

[12112018\\_Foundation Audit Report FY17-18 and CLA USAS Letter](#)

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**(A California Nonprofit Corporation)**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2017**  
**and**  
**Independent Auditors' Report**



**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**(A California Nonprofit Corporation)**

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**June 30, 2018**

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CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Riverside Community College District Foundation  
Riverside, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Riverside Community College District Foundation (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Riverside Community College District Foundation  
Riverside, California


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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the Foundation's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**  
Glendora, California  
November 5, 2018

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

*With Comparative Totals as of June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalent	\$ 573,182	\$ 472,210
Accounts receivable	17,567	27,625
Pledge receivable - current portion	135,859	39,532
Prepaid expenses	12,743	
<b>Total Current Assets</b>	<u>\$ 739,351</u>	<u>\$ 539,367</u>
<b>Non-Current Assets:</b>		
Investments	9,522,729	8,669,696
Funds held with FCCC	454,164	446,836
Pledges receivable, net	506,192	773,314
Split interest agreements receivable	2,083,503	2,035,849
<b>Total Non-Current Assets</b>	<u>12,566,588</u>	<u>11,925,695</u>
<b>Total Assets</b>	<u>\$ 13,305,939</u>	<u>\$ 12,465,062</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 3,982	\$
Due to Riverside Community College District	130,951	65,351
Refundable advances	187,082	229,448
<b>Total Current Liabilities</b>	<u>322,015</u>	<u>294,799</u>
<b>Net Assets:</b>		
Unrestricted	549,070	833,591
Temporarily restricted	5,767,232	4,915,781
Permanently restricted	6,667,622	6,420,891
<b>Total Net Assets</b>	<u>12,983,924</u>	<u>12,170,263</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,305,939</u>	<u>\$ 12,465,062</u>

See accompanying notes to the financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	June 30, 2018			June 30, 2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue</b>					
Support and revenue					
Contributions	\$	\$ 628,318	\$ 246,731	\$ 875,049	\$ 797,281
Grants		322,803		322,803	211,457
Special events		103,087		103,087	134,652
Administrative fees	115,756			115,756	-
Donated salaries and benefits	550,701			550,701	425,905
Donated facilities	10,808			10,808	11,040
In-kind donations	41,378			41,378	155,490
<b>Total Support</b>	<u>718,643</u>	<u>1,054,208</u>	<u>246,731</u>	<u>2,019,582</u>	<u>1,735,825</u>
Other income					
Investment income	(82,209)	800,965		718,756	849,514
Change in value - split interest agreements		47,652		47,652	54,651
Change in value - funds held by FCCC		7,327		7,327	29,658
<b>Total Other Income</b>	<u>(82,209)</u>	<u>855,944</u>	<u>-</u>	<u>773,735</u>	<u>933,823</u>
Total revenues before net assets released from restrictions					
assets released from restrictions	636,434	1,910,152	246,731	2,793,317	2,669,648
Net assets released from restrictions	<u>1,058,701</u>	<u>(1,058,701)</u>		<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>1,695,135</u>	<u>851,451</u>	<u>246,731</u>	<u>2,793,317</u>	<u>2,669,648</u>
<b>Operating Expenses</b>					
Program services	1,236,091			1,236,091	1,116,761
Supporting services					
Management and general	524,285			524,285	283,219
Fundraising	219,280			219,280	273,151
<b>Total Expenses</b>	<u>1,979,656</u>	<u>-</u>	<u>-</u>	<u>1,979,656</u>	<u>1,673,131</u>
<b>Change in net assets</b>	<u>(284,521)</u>	<u>851,451</u>	<u>246,731</u>	<u>813,661</u>	<u>996,517</u>
<b>Net Assets</b>					
Beginning of year, before restatement	833,591	4,915,781	6,420,891	12,170,263	10,496,645
Restatements				-	677,101
Beginning of year	<u>833,591</u>	<u>4,915,781</u>	<u>6,420,891</u>	<u>12,170,263</u>	<u>11,173,746</u>
End of year	<u>\$ 549,070</u>	<u>\$ 5,767,232</u>	<u>\$ 6,667,622</u>	<u>\$ 12,983,924</u>	<u>\$ 12,170,263</u>

See accompanying notes to the financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Cash flows from operating activities</b>		
Cash received from donations, grants and fundraisers	\$ 1,418,206	\$ 1,026,885
Cash paid for student scholarships, grants and campus programs	(862,538)	(819,113)
Cash paid for operating expenses and fundraising	<u>(307,827)</u>	<u>(143,565)</u>
Net cash provided (used) by operating activities	<u>247,841</u>	<u>64,207</u>
 <b>Cash flows from investing activities</b>		
Reinvested interest and dividends, net of expense	230,628	130,654
Proceeds from sale of investements	113,057	184,552
Purchase of investments	<u>(490,554)</u>	<u>(1,128,136)</u>
Net cash provided (used) by investing activities	<u>(146,869)</u>	<u>(812,930)</u>
 Net increase (decrease) in cash and cash equivalents	100,972	(748,723)
 Cash and cash equivalents, beginning of year	<u>472,210</u>	<u>1,220,933</u>
 Cash and cash equivalents, end of year	<u>\$ 573,182</u>	<u>\$ 472,210</u>
 <b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>		
Change in net assets	813,661	996,517
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Realized and unrealized gains on investments	(488,128)	(718,860)
Reinvested interest and dividends, net of expense	(230,628)	(130,654)
Donated stock	(21,220)	-
Allowance and write off of uncollectable accounts, net	33,809	(3,904)
Change in value - split interest agreements	(47,652)	(54,651)
Change in value - funds held by FCCC	(7,327)	(29,658)
(Increase) decrease in operating assets:		
Accounts receivable	10,058	(5,909)
Pledges receivable, net	170,795	80,387
Prepaid	(12,743)	-
Increase (decrease) in operating liabilities:		
Accounts payable	3,982	
Due to Riverside Community College District	65,600	(59,009)
Refundable advances	<u>(42,366)</u>	<u>(10,052)</u>
Net cash provided (used) by operating activities	<u>\$ 247,841</u>	<u>\$ 64,207</u>

See accompanying notes to the financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	<u>June 30, 2018</u>				<u>June 30, 2017</u>
	Program Services	Management and General	Fundraising	Total	Total
Donated salaries and benefits	\$ 105,175	\$ 298,157	\$ 147,369	\$ 550,701	\$ 425,905
Donated facilities	2,064	5,852	2,892	10,808	11,040
In-kind donations		41,378		41,378	155,490
Scholarships	541,042			541,042	520,549
Grant fulfillment	200,007			200,007	218,798
Support - instructional and student programs	121,489			121,489	79,766
Professional fees		17,975	7,374	25,349	-
Printing	1,539	1,853		3,392	7,895
Office expenses	5,028	110		5,138	50
Postage, shipping and delivery		165		165	1,232
Insurance	1,597			1,597	1,597
Equipment	15,685	57,033	1,608	74,326	1,423
Meetings and conferences	1,978			1,978	-
Travel	817			817	-
Memberships and dues	145			145	183
Advertising	435			435	-
Special events			60,037	60,037	70,845
Contract services	100,980			100,980	96,098
Administrative fees	115,756			115,756	-
Allowance and write off of uncollectable pledges receivable, net	(20)	33,829		33,809	(3,904)
Other expenses	22,374	67,933		90,307	86,164
	<u>\$ 1,236,091</u>	<u>\$ 524,285</u>	<u>\$ 219,280</u>	<u>\$ 1,979,656</u>	<u>\$ 1,673,131</u>

See accompanying notes to the financial statements.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

#### **NOTE 1: ORGANIZATION**

The Riverside Community College District Foundation (the Foundation), is a nonprofit public benefit corporation incorporated in the State of California on October 21, 1975, to solicit funds, provide support for the programs and projects of the Riverside Community College District (the District), and to account for the issuance of scholarships to the students of the District. The Foundation also serves as a link between the District and the community.

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

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

##### **Classification of Net Assets**

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

##### **Unrestricted Net Assets**

Net assets that are not subject to donor-imposed stipulations.

##### **Temporarily Restricted Net Assets**

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarships, endowment grants and other programmatic support.

##### **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 any related investments for general or specific purposes.



## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018 *With Comparative Totals for the Fiscal Year Ended June 30, 2017*

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

##### **Contributions**

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Cash and cash equivalents are defined as all checking and money market accounts with an original maturity of 90 days or less.

##### **Accounts Receivable**

Accounts receivable consists primarily of interest and donations receivable. Bad debts are accounted for by the direct write off method. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

##### **Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are due in more than one year are recognized at fair value using the applicable mid-term federal rate published by the Internal Revenue Service (IRS) for the month of June 2018. Amortization of the discount is included in contribution revenue.

The Foundation has net pledges receivables for unconditional promises to give in the amount of \$642,051 and \$812,846 at June 30, 2018 and 2017, respectively. Management has reviewed the collectability of these pledges and determines the balances to be fully collectable; however, a 5% allowance of uncollectable pledges is established. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year. The allowance and write off of uncollectable pledges receivable is netted in the statement of functional expense.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018 *With Comparative Totals for the Fiscal Year Ended June 30, 2017*

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

##### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

##### **Split-Interest Agreements**

The Foundation has two charitable remainder trusts and one testamentary trust, referred to as split-interest agreements. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. The charitable remainder trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at the present value of the estimated future benefits of the agreement.

##### **Accounts Payable**

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30<sup>th</sup> annually.

##### **Functional Allocations of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### **Reclassifications**

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation. The reclassifications has no effect on the previously reported net assets or change in net assets.

##### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

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

##### **Administrative Fee**

To allow for sufficient operating support, a 5% administrative fee may be assessed on all new gifts to the Foundation. In addition, an annual fee of up to 2% may be charged on all gifts. These fee assessments are reviewed on an annual basis.

##### **In-Kind Donations**

The Foundation receives non-cash donations for items auctioned during their special fundraising events. These donations have been reflected in the statement of activities as in-kind donations and as management and general expenses. The amount represents the fair value, when available, of the donated item.

##### **Comparative Totals**

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2017.

##### **Income Taxes**

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018 *With Comparative Totals for the Fiscal Year Ended June 30, 2017*

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

##### **Subsequent Events**

The Foundation has evaluated subsequent events through November 5, 2018, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2018.

#### **NOTE 3: CONCENTRATION OF CREDIT RISK**

##### **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash and money market accounts, with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

##### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

##### **Investments**

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2018 the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 4: INVESTMENTS**

Investment return for the fiscal year ended June 30, 2018 was as follows:

	<u>2018</u>	<u>2017</u>
Realized loss on investments, net	\$ 103,576	\$ (57,503)
Unrealized gain on investments, net	384,552	776,363
Interest and dividends	<u>296,935</u>	<u>180,310</u>
Total investment income	<u>785,063</u>	<u>899,170</u>
Investment expenses	<u>(66,307)</u>	<u>(49,656)</u>
Total investment income, net of expenses	<u>\$ 718,756</u>	<u>\$ 849,514</u>

Realized losses result from the sale of investments below historical cost. Unrealized losses result from the decline in market value of investments held from period to period.

Cost and fair values at June 30, 2018, are as follows:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	Cost	Fair Value	Cost	Fair Value
Investments				
Fixed Income (Level 1)	\$ 3,451,894	\$ 3,386,543	\$ 5,907,371	\$ 6,198,760
Equities (Level 1)	<u>4,932,653</u>	<u>6,136,186</u>	<u>2,029,915</u>	<u>2,470,936</u>
Total	<u>\$ 8,384,547</u>	<u>\$ 9,522,729</u>	<u>\$ 7,937,286</u>	<u>\$ 8,669,696</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

- Level 1 – quoted prices in an active market for identical assets.
- Level 2 – quoted prices for similar assets and market-corroborated inputs.
- Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

**NOTE 5: SPLIT INTEREST AGREEMENTS**

The Foundation is the beneficiary of three split-interest agreement (two charitable remainder unitrusts and one testamentary trust) for which the Foundation is not the administrator. The Foundation recognized the present value of the estimated future benefits of the agreement to be received as temporarily restricted contribution revenue and as a receivable when notified of the agreement.

Contributions receivable from split-interests agreements totaled \$2,083,503 and \$2,035,849 at June 30, 2018 and 2017, respectively. The Foundation will not receive its share of the trust assets until the last heir to the estates passes away.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 6: PLEDGES RECEIVABLE**

Unconditional promises to give at June 30, 2018 are as follows:

	2018	2017
Receivable - less than one year	\$ 135,859	\$ 39,532
Receivable - one to five years	550,757	843,478
Gross unconditional pledges	686,616	883,010
Less: discount	(44,565)	(70,164)
Net pledges receivable	<u>\$ 642,051</u>	<u>\$ 812,846</u>

Pledges receivable have been discounted to present value using a discount rate of 2.17% in 2017-18 and 1.96% in 2016-17.

**NOTE 7: REFUNDABLE ADVANCES**

During the fiscal year ended June 30, 2016, the Foundation was awarded and received a \$250,000 grant to sustain and strengthen campus-based support and services that promote the health, wellbeing and higher education success of current and former foster youth across the District, through May 31, 2019. Of the total received, \$62,918 had been incurred as general and administrative fees and thus recognized as revenue through the fiscal year ended June 30, 2018. During the years ended June 30, 2018 and 2017, total expenses incurred as general and administrative fees and thus recognized as revenue were \$42,366 and \$10,052, respectively.

**NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of \$365,253 to the FCCC for Osher Scholarships and a donation of \$26,668 was made on the Foundation's behalf for Sempra Energy Scholarships. These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2018 the fair value of these pooled investments totaled \$454,163, which consisted of cash of \$22,708, equity securities of \$313,373, and fixed income instruments of \$118,082. A net investment gain of \$27,862 was recognized during the fiscal years ended June 30, 2018. At June 30, 2017 the fair value of these pooled investments totaled \$446,836, which consisted of cash of \$22,342, equity securities of \$290,444, and fixed income instruments of \$134,051. A net investment gain of \$52,392 was recognized during fiscal year ended June 30, 2017.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

**FCCC Net Assets as of June 30, 2018**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	Temporarily Restricted	Permanently Restricted	Total	Total
Osher Scholarships	\$ 56,556	\$ 365,253	\$ 421,809	\$ 414,999
Sempre Energy Scholarships	5,687	26,668	32,355	31,837
	<u>\$ 62,243</u>	<u>\$ 391,921</u>	<u>\$ 454,164</u>	<u>\$ 446,836</u>

**Changes in FCCC Net Assets for the Fiscal Year Ended June 30, 2018**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	Temporarily Restricted	Restricted	Total	Total
Endowment net assets, beginning of year	\$ 54,915	\$ 391,921	\$ 446,836	\$ 417,178
Contributions	-	-	-	-
Investment return:				
Investment income, net of expenses	7,338	-	7,338	7,957
Net appreciation (realized and unrealized)	20,524	-	20,524	44,435
Total investment return	<u>27,862</u>	<u>-</u>	<u>27,862</u>	<u>52,392</u>
Other changes:				
Fund distributions	(20,534)	-	(20,534)	(22,734)
Total other changes	<u>(20,534)</u>	<u>-</u>	<u>(20,534)</u>	<u>(22,734)</u>
Endowment net assets, end of year	<u>\$ 62,243</u>	<u>\$ 391,921</u>	<u>\$ 454,164</u>	<u>\$ 446,836</u>

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year. For the year ended June 30, 2018, the Foundation received \$63,286 including \$20,534 in fund distributions from investment returns from the Osher Scholarship Fund. For the fiscal year ended June 30, 2017, the Foundation received \$68,390 including \$22,734 in fund distributions from investment returns

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

#### **NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

from the Osher Scholarship Fund.

#### **NOTE 9: ENDOWMENT**

The Foundation's endowment consists of various endowments established for scholarships and educational program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization



**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 9: ENDOWMENT**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2018**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$ 1,349,485	\$ 6,069,051	\$ 7,418,536
Board-designated	81,272			81,272
	<u>\$ 81,272</u>	<u>\$ 1,349,485</u>	<u>\$ 6,069,051</u>	<u>\$ 7,499,808</u>
				<u>\$ 6,906,335</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 72,898	\$ 1,048,975	\$ 5,784,462	\$ 6,906,335
Contributions			284,589	284,589
Investment return:				106,708
Investment income, net of expenses	1,206	92,010		93,216
Net depreciation (realized and unrealized)	7,168	546,946		554,114
Total investment return	<u>8,374</u>	<u>638,956</u>	<u>-</u>	<u>647,330</u>
Other changes:				
Distributions		(338,446)		(338,446)
Total other changes	<u>-</u>	<u>(338,446)</u>	<u>-</u>	<u>(338,446)</u>
Endowment net assets, end of year	<u>\$ 81,272</u>	<u>\$ 1,349,485</u>	<u>\$ 6,069,051</u>	<u>\$ 7,499,808</u>
				<u>\$ 6,906,335</u>

**Return Objectives and Risk Parameters**

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to balance safety of principal, growth of principal and

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 9: ENDOWMENT**

generation of income.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation invests the funds for long-term growth and income, while preserving principal with minimum risk.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a spending policy which allows an annual spending limit of no more than 4.5% of a trailing three-year average of the total Endowment market value calculated on June 30 of each year.

**NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$1,058,701 were released from temporary donor restrictions during the fiscal year 2017-18. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 11: RESTRICTED NET ASSETS**

The Foundation has temporarily restricted and permanently restricted endowed scholarship programs or programs as of June 30, 2018 and is represented as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Temporarily restricted		
Scholarships	\$ 3,275,825	\$ 2,696,518
Other restricted programs	2,491,407	2,219,263
Total temporarily restricted	<u>\$ 5,767,232</u>	<u>\$ 4,915,781</u>
Permanently restricted		
Endowed scholarships	\$ 6,667,622	\$ 6,420,891
Total permanently restricted	<u>\$ 6,667,622</u>	<u>\$ 6,420,891</u>

**NOTE 12: RELATED PARTY**

The Foundation was organized as an independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays salaries and benefits of the executive director, assistant director, and three administrative positions. In addition, working space for employees who perform administrative services for

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**  
*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 12: RELATED PARTY**

the Foundation is provided by the District at no charge. In return, the Foundation provides various levels of monetary support and service to the District. These transactions are recorded within financial statements as distributions, student programs, and scholarship expense.

The donated services and facilities for the fiscal year ended June 30, 2018 were valued at \$550,701 and \$10,808. The donated services and facilities for the fiscal year ended June 30, 2017 were valued at \$425,905 and \$11,040. These were recognized in the financial statements as donated services and facilities and operating expenses. In addition, certain expenses for professional services, supplies and equipment for the Foundation were paid for by the District. For the fiscal years ended June 30, 2018 and 2017, these expenses were valued at \$41,378 and \$155,490, respectively, and are recognized as in-kind donations and operating expenses.

**NOTE 13: PRIOR YEAR RESTATEMENTS**

Restatements applied to the beginning temporarily and permanently restricted net assets at July 1, 2016 comprise of four amounts. A summary and description of these restatements are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Change in designation	\$ 2,021,862	\$ (2,021,862)	\$ -
Funds held with FCCC - Osher			
Donation		85	85
Cumulative change in value	22,349		22,349
Funds held with FCCC - Sempra Energy			
Donation		26,668	26,668
Cumulative change in value	2,908		2,908
Split interest agreement - testamentary trust	625,091		625,091
Total restatements	<u>\$ 2,672,210</u>	<u>\$ (1,995,109)</u>	<u>\$ 677,101</u>

**Change in Designation**

The corpus amounts of net assets were researched by the Foundation during the fiscal year ended June 30, 2017 to identify earnings on permanently restrictions donations which had previously been classified as permanently restricted. These amounts has been transferred to temporarily restricted net assets, in the amount of \$2,021,862.

**Funds Held with FCCC – Osher**

The Foundation had not previously recognized the additional funds sent by a donor to FCCC on the Foundations behalf as funds held with FCCC or the change in value of Osher as management’s interpretation was to not recognize the change in value since management did

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

#### **NOTE 13: PRIOR YEAR RESTATEMENTS**

not manage or maintain control of the investment. Additional research determined that the change in value be reflected in the statement of activities and changes in net assets. A restatement of \$22,349 was applied to increase temporarily restricted net assets and \$85 to increase permanently restricted net assets was applied. These amounts represents the additional fair value of funds held with FCCC at June 30, 2016 and the additional donation.

#### **Funds Held with FCCC – Sempra Energy**

The Foundation had not previously recognized the additional funds sent by Sempra Energy to FCCC on the Foundations behalf as funds held with FCCC. Management's interpretation was to not recognize the donation and change in value since management did not manage or maintain control of the investment. Additional research determined that the additional funds sent to FCCC on the Foundations behalf be recognized as funds held with FCCC and change in value be reflected in the statement of activities and changes in net assets. A restatement of \$2,908 to increase temporarily restricted net assets and \$26,668 to increase permanently restricted net assets was applied. These amounts represent the fair value of funds held with FCCC at June 30, 2016 and the donation.

#### **Split Interest Agreement – Testamentary Trust**

As discussed in Note 13, the Foundation had researched and reviewed donor files to verify corpus amounts. During this process, the Foundation identified a testamentary trust that had not previously recognized the as a receivable from the split-interest agreement. A restatement of \$625,091 was applied to increase temporarily restricted net assets. This amount represents the fair value of the split interest agreement receivable at June 30, 2016.



CliftonLarsonAllen LLP  
CLAconnect.com

November 5, 2018

The Board of Directors  
Riverside Community College District Foundation  
Riverside, California

We have audited the financial statements of Riverside Community College District Foundation (the Foundation) for the year ended June 30, 2018, and have issued our report thereon dated November 5, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 29, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

##### Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017-18. We noted no transactions entered into by the Foundation 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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

*Allowances for Uncollectable Accounts* – The Foundation utilizes the reserve method of accounting for bad debts and evaluates its ability to collect pledges receivable based on specific donor circumstances, current economic conditions and trends, historical experience and the age of past due pledges receivable. See Notes 2 and 6.

*Fair Value of Pledges Receivable* – Unconditional promises to give that are not due on a current basis are measured at fair value. Management has elected to measure fair value using the present value valuation technique and has assumed a discount rate of 2.17% in 2017-18 and 1.96% in 2016-17. See Notes 2 and 6.

The Board of Directors  
Riverside Community College District Foundation  
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*Qualitative Aspects of Accounting Practices (continued)*

*Fair Value of Investments* – Investments are reported at fair value based on the priority of the inputs to the valuation technique and classified based on a three-level fair value hierarchy as discussed in Notes 4 and 9.

*Fair Value of Split-Interest Agreements* – The Trusts are reported at fair value based on the present value of the net proceeds that are expected to be available to the Foundation at their maturity dates. Management has elected to measure fair value using the present value valuation technique and has assumed a discount rate of 1.49% in 2017-18 and 1.96% in 2016-17 through the estimated maturity dates. See Note 5.

*Functional Expenses* - Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

*Donated Services, Facilities and In-Kind Donations* – The Foundation records the value of donated services and facilities, and donated items as in-kind donations on the statement of activities and statement of functional expense when there is an objective basis available to measure their value. See Notes 2 and 12.

*Unrelated Business Income Tax (UBIT)* – The Foundation has considered the Financial Accounting Standards Board's (FASB) statement related to uncertainty in income taxes. This guidance requires organizations to evaluate tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities. The primary tax positions evaluated relate to the Foundation's tax exempt status and the potential for unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of income tax contingencies are required. See Note 2.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The Board of Directors  
Riverside Community College District Foundation  
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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear. The most sensitive disclosures affecting the financial statements were:

*Investments* - The disclosure of investments described in Note 4 to the financial statements summarizes the cost and fair value information for the investments held by the Foundation as of June 30, 2018 and 2017. Fair value measurements of the investments are assigned a category based on the source of valuation for the indicated investments (measured using significant unobservable inputs).

*Uniform Prudent Management of Institutional Funds Act (UPMIFA)* – UPMIFA is the disclosure pertaining to endowments and interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) described in Note 8 to the financial statements. This disclosure summarizes the Board’s interpretation of UPMIFA and the criteria used to determine the value of permanently restricted net assets as of June 30, 2018, with comparative information as of June 30, 2017.

*Difficulties Encountered in Performing the Audit*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

*Disagreements with Management*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Exhibit A summarizes uncorrected misstatements of the financial statements.

The Board of Directors  
Riverside Community College District Foundation  
Page 4

In addition, a reconciliation between the internal financial statements ending net assets and the audited ending net assets has been provided for management's use in Exhibit B. A post-closing entry from 2016-17 for investments earnings was recognized in the 2017-18 Statement of Activities. This adjustment had no effect on the ending net assets.

#### *Significant Issues Discussed with Management*

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

The following issues are considered significant and relevant to communicate to management and those charged with governance in overseeing the financial reporting process:

#### Master Agreement

In accordance with California Code and Regulations (Title 5, Division 6, Chapter 10, Subchapter 4.5, Section 59257) the Riverside Community College District (the District) and the Foundation have entered into a master agreement dated November 17, 2009.

The agreement allows the District to provide administrative services and working space to assist the Foundation in carrying out its purpose and establishes monitoring procedures. Per the terms of the agreement, this document is to be reviewed every five years.

We recommend the agreement be reviewed to ensure it is updated and reflects the current operations of the Foundation & monitoring procedures of the District.

#### *Items to be Considered in the Future Audits*

The Financial Accounting Standards Board (FASB) released a new standard pertaining to the presentation of financial statements for not for-profit entities that will have significant implications to the Riverside Community College District Foundation's financial statements. This standard is effective for fiscal years beginning after December 15, 2017. For the Riverside Community College District Foundation, this standard is effective for the fiscal year June 30, 2019 and early implementation is allowed.

The proposed standard contains a number of changes to the current Not-for-Profit financial statement model. Some of the more significant changes include a shift in the presentation of net assets on the statement of financial position and the statement of activities from the current three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with and net assets without donor restrictions). This change attempts to highlight the specific nature of each net asset restriction rather than on whether there are temporary or permanent restrictions.



The Board of Directors  
Riverside Community College District Foundation  
Page 5

In addition to the changes to the basic financial statements, certain disclosures will also be enhanced to provide additional information. Disclosures impacted by the new requirements include, but are not limited to, the availability of resources to meet cash needs for general expenditures within the next year, resources restricted by governing board actions, the composition of net assets subject to donor restrictions and how the restrictions affect the use of resources, and the nature and function of operating expenses.

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

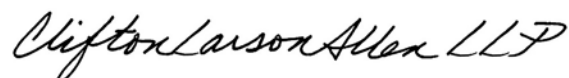
*Other Information in Documents Containing Audited Financial Statements*

We are aware that the District issues other documents that contain the audited basic financial statements of the Foundation. When such documents are to be published, such as the Foundation’s Annual Report, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the Foundation.

**Closing**

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

Very truly yours,



CliftonLarsonAllen LLP  
Glendora, California

Exhibits:

- A. Schedule of Uncorrected Misstatements
- B. Reconciliation between Internal and External Financial Statements

**EXHIBIT A**  
**Schedule of Uncorrected Misstatements**

Account	Description	Debit	Credit	Net Effect on Ending Net Assets
<b>Journal Entry # 1</b>				
To reverse the duplicate recognition of donated stock. The donated stock was recorded in the general ledger investment account number for UBS Financial - Equities, but recognized as unrealized gain in the general ledger investment account number for Union Bank during the reconciliation process.				
99.0-00-8860	INTEREST INCOME	\$ 21,220	\$	\$
97.0-00-9150U	UBS Financial - Equities : INVESTMENTS		21,220	
<b>Total</b>		<u><u>21,220</u></u>	<u><u>21,220</u></u>	(21,220)
<b>Journal Entry # 2</b>				
To correct the change in net present value for split interest agreement for the Wetzel testamentary trust. The beginning balance was not updated in the calculation.				
98.0-00-8815	REMAINDER TRUST CONTRIBUTIONS	54,185		
98.0-00-9164	BENEFICL INT, REMAINDER TRUST		54,185	
<b>Total</b>		<u><u>54,185</u></u>	<u><u>54,185</u></u>	(54,185)
<b>Journal Entry # 3</b>				
To correct the unrestricted administrative fees charged to the split interest agreements for the Stover Charitable Remainder Unitrusts. Change is in classification only.				
Journal entry has no effect on ending net assets.				
99.0-00-8815	REMAINDER TRUST CONTRIBUTIONS	1,301		
99.0-00-9710	UNAPPROPRIATED FUND BALANCE	69,688		
97.0-00-8815	REMAINDER TRUST CONTRIBUTIONS		1,301	
97.0-00-9710	UNAPPROPRIATED FUND BALANCE		69,688	
<b>Total</b>		<u><u>70,989</u></u>	<u><u>70,989</u></u>	-
<b>Journal Entry # 4</b>				
To reverse pledge receivable for premiums paid by donor for life insurance.				
Contributions for payments is associated with a contingent receivable and should not be accrued.				
98.0-00-8820	CONTRIBUTIONS, GIFTS, GRANTS	24,500		
97.0-00-9165	PLEDGES RECEIVABLE		24,500	
<b>Total</b>		<u><u>24,500</u></u>	<u><u>24,500</u></u>	(24,500)
				<u><u>\$ (99,905)</u></u>

**EXHIBIT B**  
**Reconciliation between Internal and External Financial Statements**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted (97000)	\$ 467,798	\$	\$	\$ 467,798
Restricted Programs (98000-98499)		2,506,679		2,506,679
Scholarships (98500-98999)		481,089		481,089
Spendable PR (99000)		2,794,736		2,794,736
Perm Rest (88000)			6,733,622	6,733,622
Ending net assets - per financial highlights	<u>467,798</u>	<u>5,782,504</u>	<u>6,733,622</u>	<u>12,983,924</u>
Reclassifications:				
Board designated endowments	<u>81,272</u>	<u>(15,272)</u>	<u>(66,000)</u>	<u>-</u>
Ending net assets - per audited financial statements	<u>\$ 549,070</u>	<u>\$ 5,767,232</u>	<u>\$ 6,667,622</u>	<u>\$ 12,983,924</u>

## Agenda Item (VIII-D-2)

Meeting	12/11/2018 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2017-2018 Proposition 39 Independent Financial and Performance Audits
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Proposition 39 independent financial and performance audits of the District's Measure C general obligation bond for the year ended June 30, 2018 for the permanent file of the District.

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### Background Narrative:

In accordance with the provisions of Proposition 39, independent financial and performance audits of the District's Measure C general obligation bond were performed by CliftonLarsonAllen LLP Certified Public Accountants (CLA). A representative of the audit firm will be available to present the reports. Results of the audits are summarized below.

- Auditor's Opinion – The auditors have issued unmodified opinions for both the financial and performance audits as of June 30, 2018 and 2017, which is also known as a "clean" opinion. Unmodified is the highest level of assurance the auditors can provide of the four available opinions and indicates the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.
- Audit Findings – There were no findings or questioned costs related to the financial and performance audits.
- Auditor's Required Communication – In accordance with the U.S. Auditing Standards AU-C 260, at the conclusion of the audit engagement CLA is required to communicate information to the Board of Trustees regarding their responsibility under Generally Accepted Auditing Standards (GAAS). Attached for your information is the required communication.
- The audit report was presented to the Citizens Bond Oversight Committee at its regularly scheduled meeting on October 18, 2018.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services  
Melissa Elwood, Controller

### Attachments:

[12112018\\_2017-2018 Proposition 39 Financial and Performance Audit and USAS Letter](#)

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RIVERSIDE COUNTY**

**REPORT ON PROPOSITION 39 FUNDING  
FINANCIAL AND PERFORMANCE AUDITS  
June 30, 2018**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

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**FINANCIAL AUDIT OF THE GENERAL OBLIGATION BOND FUNDED CAPITAL  
OUTLAY PROJECTS**



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The Measure C Citizens' Bond Oversight Committee  
Riverside Community College District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



The Board of Trustees  
The Measure C Citizens' Bond Oversight Committee  
Riverside Community College District

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Obligation Bond Funded Capital Outlay Projects of the District as of June 30, 2018, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present fairly only the General Obligation Bond Funded Capital Outlay Projects and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2018 or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## *Other Information*

Our audit of the General Obligation Bond Funded Capital Outlay Projects of the District was conducted for the purpose of forming an opinion on the financial statements referred to above. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedule, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule, is fairly stated in all material respects in relation to the financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the District's internal control over the General Obligation Bond Funded Capital Outlay Projects 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 solely 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 effectiveness of the District's internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
October 9, 2018

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**BALANCE SHEET  
June 30, 2018**

**Assets**

Cash in county treasury	\$ 7,269,061
Accounts receivable	141,151
<b>Total Assets</b>	<b>\$ 7,410,212</b>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ 702,251
Due to other funds	178,291
<b>Total Liabilities</b>	<b>880,542</b>

**Fund Balance**

Restricted	6,529,670
<b>Total Fund Balance</b>	<b>6,529,670</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,410,212</b>

See the accompanying notes to the financial statements

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2018**

<b>Revenues</b>	
Interest income	\$ 115,494
Other local revenue	<u>(210,933)</u>
<b>Total Revenues</b>	<u>(95,439)</u>
<b>Expenditures</b>	
Salaries	136,031
Benefits	59,913
Supplies	140
Other services	467,514
Capital outlay	<u>1,335,435</u>
<b>Total Expenditures</b>	<u>1,999,033</u>
Net change in fund balance	(2,094,472)
<b>Fund Balance at Beginning of Year</b>	<u>8,624,142</u>
<b>Fund Balance at End of Year</b>	<u><u>\$ 6,529,670</u></u>

See the accompanying notes to the financial statements

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies**

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

**Financial Reporting Entity**

These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

**Fund Structure**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the General Obligation Bond Funded Capital Outlay Projects related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**Basis of Accounting**

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

Cash in the county treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

**Fund Balance Classification**

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors,

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the General Obligation Bond Funded Capital Outlay Projects is therefore classified as restricted.

**Capital Assets and Long-Term Debt**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the General Obligation Bond Funded Capital Outlay Projects are determined by its measurement focus. The General Obligation Bond Funded Capital Outlay Projects is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the General Obligation Bond Funded Capital Outlay Projects are accounted for in the basic financial statements of the District.

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

**NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY**

In accordance with Education Code Section 84000, the District maintains substantially all of its cash in the Riverside County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair value is 99.39% of the District’s deposits for the General Obligation Bond Funded Capital Outlay Projects in this pool as of June 30, 2018, as provided by the County Treasurer.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY**

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized costs, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the County of Riverside Treasurer-Tax Collector Capital Markets, 4080 Lemon Street, 4<sup>th</sup> Floor, Riverside, CA 92502.

**NOTE 3: BONDED DEBT**

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

**Series D and D-1**

In October 2011, the District issued General Obligation Bonds, Series D and D-1 in the amount of \$109,999,278. These bonds consisted of \$7,699,278 tax-exempt Series D bonds and \$102,300,000 in federally taxable Build America Bonds Series D-1. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs.

The District elected to treat the Series D-1 bonds as "Build America Bonds" under Section 54AA of the Tax Code, and the Series D-1 Bonds be "qualified bonds" under Section 54AA(g)(2) of the Tax Code which make the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series D-1 Bonds. The District will deposit the cash subsidy payments with the County to be credited to the Debt Service Fund for the Series D-1 Bonds. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

**Refunding**

In April 2014, the District issued General Obligation Refunding Bonds, Series A (Tax Exempt) in the amount of \$29,130,000 to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Series A Bonds, 2005 Refunding Bonds and General Obligation Series C Bonds and to pay costs of issuance associated with the Bonds. General Obligation Refunding Bonds, Series B (Federally Taxable) in the amount of \$43,960,000 were

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 3: BONDED DEBT**

also issued to advance refund a portion of the outstanding principal amount of the District's 2005 Refunding Bonds and to pay costs of issuance associated with the Bonds.

**Series E and Refunding**

In July 2015, the District issued General Obligation Bonds, Series E in the amount of \$45,004,145 to finance the repair, acquisition, construction, and equipping of certain district facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. General Obligation Refunding Bonds were also issued in the amount of \$43,920,000 to advance refund the outstanding principal amount of the District's General Obligation Series C Bonds, and to pay costs of issuance associated with the Bonds.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Original Maturity Date	Interest Rate %	Amount of Original Issue	Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
2010 Series D	10/27/2010	8/1/2025	2.36-5.53	\$ 7,699,278	\$ 7,190,569	\$	\$ 349,375	\$ 6,841,194
2010 Series D-1	10/27/2010	8/1/2040	6.97-7.02	102,300,000	102,300,000			102,300,000
2014 Tax Exempt Refunding	5/29/2014	8/1/2027	2.00-5.00	29,130,000	28,260,000		425,000	27,835,000
2014 Taxable Refunding	5/29/2014	8/1/2024	0.40-3.61	43,960,000	39,115,000		3,660,000	35,455,000
2015 Series E	7/1/2015	8/1/2039	3.81-5.05	45,004,145	42,414,145		1,265,000	41,149,145
2015 Refunding	7/1/2015	8/1/2032	2.00-5.00	43,920,000	42,885,000		100,000	42,785,000
Total				<u>\$ 272,013,423</u>	<u>\$ 262,164,714</u>	<u>\$ -</u>	<u>\$ 5,799,375</u>	<u>\$ 256,365,339</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,894,266	\$ 12,818,830
2020	5,295,056	13,067,432
2021	5,813,846	13,082,058
2022	6,680,859	12,506,165
2023	7,232,769	12,629,696
2024-2028	44,564,218	61,050,746
2029-2033	60,025,470	51,521,140
2034-2038	71,733,811	59,582,504
2039-2041	50,125,044	23,209,545
Total	<u>\$ 256,365,339</u>	<u>\$ 259,468,116</u>

Capital appreciation bonds were issued as part of the 2010 Series D and 2015 Series E issuances. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the District's general purpose financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 4: COMMITMENTS AND CONTINGENCIES**

**Purchase Commitments**

As of June 30, 2018 the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$1,930,000.





CliftonLarsonAllen LLP  
CLAconnect.com

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

The Board of Trustees  
The Measure C Citizens' Bond Oversight Committee  
Riverside Community College District  
Riverside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the General Obligation Bond Funded Capital Outlay Projects financial statements of the Riverside Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's General Obligation Bond Funded Capital Outlay Projects financial statements, and have issued our report thereon dated October 9, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
October 9, 2018

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2018**

There were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2018. In addition, there were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2017.

**PERFORMANCE AUDIT OF THE GENERAL OBLIGATION BOND FUNDED  
CAPITAL OUTLAY PROJECTS**



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The Measure C Citizens' Bond Oversight Committee  
Riverside Community College District

We have conducted a performance audit of the Riverside Community College District (the District) Measure C General Obligation Bond funds for the year ended June 30, 2018.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 16 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure C General Obligation Bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure C General Obligation Bond funds for the fiscal year ended June 30, 2018, only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

A handwritten signature in black ink that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP  
Glendora, California  
October 9, 2018

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2018**

**BACKGROUND INFORMATION**

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

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

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure C bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the General Obligation Bond Funded Capital Outlay Projects – Measure C Bond Program have been expended only for the authorized bond projects.

**OBJECTIVES**

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure C General Obligation Bond Funded Capital Outlay Projects.
- Determine whether expenditures charged to the Measure C General Obligation Bond Funded Capital Outlay Projects have been made in accordance with the bond project list approved by the voters through the approval of Measure C in March 2004.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit or in this report.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2018**

**PROCEDURES PERFORMED**

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures considering all object codes and projects for the year ended June 30, 2018. Our sample included 32 transactions totaling \$1,772,996 (98% of non-salary related expenditures) and \$195,944 of salaries and benefits (100% of salaries and benefits).
- We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
  - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
  - Supported by proper bid documentation, as applicable;
  - Properly expended on the authorized bond projects as listed on the voter-approved bond project list;
  - Used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**CONCLUSION**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the General Obligation Bond Funded Capital Outlay Projects – Measure C Bond Program and that such expenditures were made on authorized bond projects.

**SUPPLEMENTARY INFORMATION**



**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**PROPOSITION 39 PERFORMANCE AUDIT  
BOND PROJECT SUMMARY  
June 30, 2018**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$320,443,170 through June 30, 2018 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2017	FY 17-18 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2018
Phase I - Parking Structure - Riverside	\$ 20,940,662	\$ 20,940,662	\$ -	\$ 20,940,662
Wheelock PE Complex/Athletic Field - Riverside	4,516,435	4,516,435	-	4,516,435
Swing Space - Riverside	4,273,734	4,273,733	-	4,273,733
Quad Modernization - Riverside	9,171,807	9,171,807	-	9,171,807
RCCD System Office Purchase	2,629,981	2,629,981	-	2,629,981
MLK Renovation - Riverside	1,010,614	1,010,614	-	1,010,614
Bridge Space - Riverside	1,175,132	1,175,132	-	1,175,132
Industrial Technology Facility Project - Norco	9,715,350	9,715,349	-	9,715,349
Computer/Network/ System Upgrades - District Wide	1,002,052	1,002,052	-	1,002,052
Phone and Voicemail Upgrades - District Wide	349,000	349,000	-	349,000
Scheduled Maintenance - Historic - District Wide	1,403,045	1,403,045	-	1,403,045
Nursing/Sciences Building - Riverside	16,347,203	16,347,203	-	16,347,203
Student/Academic Services Facility Project - Moreno Valley	5,917,791	5,917,791	-	5,917,791
Wheelock PE Complex Gymnasium Retrofit - Phase I & II - Riverside	13,204,882	13,204,882	-	13,204,882
Feasibility / Planning / Management / Staffing	7,194,104	6,782,847	293,031	7,075,878
Stokoe Innovative Learning Center - Riverside	7,399,505	7,399,506	-	7,399,506
ECS Secondary Effects - Moreno Valley	286,227	286,227	-	286,227
Room Renovations - Norco	100,019	100,019	-	100,019
Food Services Remodel - Riverside	987,705	987,705	-	987,705
Food Services Remodel - Moreno Valley	2,649,606	2,649,607	-	2,649,607
Infrastructure Projects - District Wide	484,414	484,414	-	484,414
Hot Water Loop System & Boiler Repl. - Moreno Valley	869,848	869,848	-	869,848
Emergency Phone Project - District Wide	379,717	379,717	-	379,717
Utility Retrofit Project - District Wide	6,181,188	6,181,189	-	6,181,189
Modular Redistribution Norco/MoVal/BC/Riv	8,425,862	8,425,862	-	8,425,862
ECS Building Upgrade Project - Moreno Valley/Norco	389,561	389,561	-	389,561
PBX Building - Riverside	428,119	428,119	-	428,119
PBX / NOC / M & O Facility - Norco	11,277,010	11,336,910	-	11,336,910
PBX / NOC / M & O Facility - Moreno Valley	2,896,858	2,771,210	127,633	2,898,843
Life Science / Physical Science Reconstruction - Riverside	208,000	152,500	55,414	207,914
Center for Student Success - Norco	15,633,873	15,633,873	-	15,633,873
Long Range Master Plan - District Wide	1,439,077	1,439,077	-	1,439,077
Logic Domain - Capital Project Management System	213,375	187,238	12,750	199,988
Aquatics Center - Riverside	10,874,233	10,865,983	8,250	10,874,233
Soccer Field / Artificial Turf - Norco	3,879,314	3,879,314	-	3,879,314
Learning Gateway Building - Moreno Valley	4,984,261	4,984,261	-	4,984,261
Bradshaw Building Electrical Project - Riverside	366,353	366,353	-	366,353
Quad Basement Remodel Project - Riverside	352,941	352,941	-	352,941
Black Box Theatre Remodel Project - Riverside	10,955	10,955	-	10,955
Technology Building A Remodel Project - Riverside	11,375	11,375	-	11,375
Center for Health, Wellness, and Kinesiology Phase I - Norco	86,500	86,500	-	86,500

See independent auditor's report

**RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**PROPOSITION 39 PERFORMANCE AUDIT  
BOND PROJECT SUMMARY  
June 30, 2018**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2017	FY 17-18 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2018
Health Science Center - Moreno Valley	164,971	164,971	-	164,971
ADA Transition Plan - District Wide	6,046,162	6,046,162	-	6,046,162
March Dental Education Center - Moreno Valley	9,873,530	9,873,529	-	9,873,529
Secondary Effects Project - Norco	16,028,180	16,028,180	-	16,028,180
Utility Infrastructure Project - District Wide	6,232,049	6,232,049	-	6,232,049
Safety and Site Improvement Project - Norco	967,442	967,442	-	967,442
Safety and Site Improvement Project - Moreno Valley	719,827	719,827	-	719,827
Administrative Move to Humanities Bldg - Moreno Valley	25,990	25,990	-	25,990
Science Laboratories Remodel Project - Moreno Valley	302,804	302,804	-	302,804
Ben Clark Public Safety Training Center - Center Status - Moreno Valley	84,500	64,954	-	64,954
Interim Parking Lease - Riverside	177,023	177,023	-	177,023
Center for Human Performance - Moreno Valley	112,009	112,009	-	112,009
Cosmetology Building - Riverside	142,500	142,500	-	142,500
Alumni Carriage House Restoration Project	122,270	122,270	-	122,270
IT Upgrade (including audit) - District Wide	6,000,000	5,162,971	109,232	5,272,203
Culinary Arts / District Office Building - District	33,596,018	32,399,371	(54,174)	32,345,197
Parking Structure Fall Deterrent - Riverside	7,576	7,576	-	7,576
Nursing Portables - Moreno Valley	705,338	705,338	-	705,338
Central Plant Boiler Replacement - Norco	161,847	161,847	-	161,847
DSA Project Closures - District Wide	7,290	7,290	-	7,290
Scheduled Maintenance - New - District Wide	2,860,000	2,652,532	-	2,652,532
Electronic Contract Document Storage - District Wide	50,000	-	-	-
2014 - 2015 IPP/FPP District	-	-	-	-
Program Contingency	4,655,039	-	-	-
Program Reserve	4,111,519	-	-	-
District Design Standards	355,000	345,031	-	345,031
Library Learning Center - Moreno Valley	143,000	127,000	15,914	142,914
Student Services Building - Riverside	25,925,000	20,641,542	1,059,381	21,700,923
Lovekin Parking/Tennis Project - Riverside	4,351,724	4,351,724	-	4,351,724
Food Services "grab-n-go" Facility Project - Riverside	81,372	81,372	-	81,372
Master Plan Updates - District Wide	1,259,800	708,909	352,724	1,061,633
Swing Space - Market Street Properties	737,303	737,303	-	737,303
Groundwater Monitoring Wells - Norco	211,149	211,148	-	211,148
Emergency Phone Project - Moreno Valley	341,582	341,582	-	341,582
Self-Generation Incentive Program - Norco	3,110,000	3,027,126	-	3,027,126
Physicians Assistant Laboratory Remodel - Moreno Valley	49,191	49,191	-	49,191
Visual & Performing Arts Center - Norco	114,000	114,000	-	114,000
Audio Visual Upgrade and Lighting Project - Moreno Valley	134,457	134,457	-	134,457
Mechanical Upgrade Project - Moreno Valley	660,245	660,245	-	660,245
Cellular Repeater Booster System - Riverside	25,000	-	18,879	18,879
Student Services Project - Moreno Valley	11,000,000	-	-	-
Coil School for the Arts - Riverside	24,280,001	25,736,075	-	25,736,075
Coil School for the Arts - Parking Structure	1,456,076	-	-	-
<b>Total Capital Outlay</b>	<b>347,056,472</b>	<b>318,444,137</b>	<b>1,999,033</b>	<b>320,443,170</b>
Series A Refunding Escrow	57,686,474	57,686,474	-	57,686,474
COPS Payoffs	11,582,875	11,582,873	-	11,582,873
Costs of issuance	2,839,859	3,026,475	-	3,026,475
Debt service	1,926,402	2,835,612	-	2,835,612
Election costs	98,238	98,236	-	98,236
<b>Total Other Financing Uses</b>	<b>74,133,848</b>	<b>75,229,670</b>	<b>-</b>	<b>75,229,670</b>
<b>TOTALS</b>	<b>\$ 421,190,320</b>	<b>\$ 393,673,807</b>	<b>\$ 1,999,033</b>	<b>\$ 395,672,840</b>

See independent auditor's report



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October 9, 2018

The Board of Trustees  
The Measure C Citizens' Bond Oversight Committee  
Riverside Community College District  
Riverside, California

We have audited the financial statements of the General Obligation Bond Funded Capital Outlay Projects of Riverside Community College District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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.

### ***Qualitative Aspects of Accounting Practices***

#### ***Accounting policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### ***Accounting estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were accruals of receivables and liabilities. We evaluated that these estimates are reasonable in relation to the financial statements taken as a whole.

#### ***Financial statement disclosures***

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures. The financial statement disclosures are neutral, consistent, and clear.

Riverside Community College District  
October 9, 2018  
Page 2

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

We encountered no significant difficulties in dealing with management in performing and completing our financial and performance audits.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements

### **Disagreement with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 9, 2018.

### **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 financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants related to the General Obligation Bond Funded Capital Outlay Projects.

### **Significant Issues Discussed with Management Prior to Engagement**

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

Riverside Community College District  
October 9, 2018  
Page 3

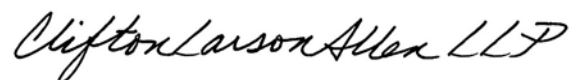
discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Restriction on Use**

This information is intended solely for the information and use of the Board of Trustees, Measure C Citizens' Bond Oversight Committee, and management of the District and is not intended to be, and should not be used, by anyone other than these specified parties.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. If you would like any information or would like to discuss any of the matters raised, please do not hesitate to contact Renee Graves at (626) 857-7300. We appreciate the opportunity to continue to be of service to Riverside Community College District.



CliftonLarsonAllen LLP  
Glendora, California

## Agenda Item (VIII-D-3)

Meeting	12/11/2018 - Regular
Agenda Item	Committee - Resources (VIII-D-3)
Subject	2017-2018 Independent Audit Report for the Riverside Community College District
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District's independent audit report for the year ended June 30, 2018 for the permanent file of the District.

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### Background Narrative:

In accordance with Education Code Section 84040(b), an independent audit of the District's 2017-2018 financial statements was performed by Vavrinek, Trine, Day & Co., LLP Certified Public Accountants (VTD). A representative of the firm will be available to present the report. Results of the audit are summarized below.

- Auditor's Opinion – The auditors have issued an unmodified opinion for the financial and State and Federal audit as of June 30, 2018, which is also known as a "clean" audit. Unmodified is the highest level of assurance the auditors can provide of the four available opinions. This opinion indicates the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles, and the District complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major Federal and State programs.
- Audit Findings – There were no findings or questioned costs.
- Auditor's Required Communication – In accordance with the U.S. Auditing Standards AU-C 260, at the conclusion of the audit engagement VTD is required to communicate information to the Board of Trustees regarding their responsibility under Generally Accepted Auditing Standards (GAAS). Attached for your information is the required communication.
- Management Recommendation Letter – Attached is VTD's recommendation for strengthening internal controls and operating efficiency as it relates to cash collections.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services  
Melissa Elwood, Controller

### Attachments:

[12112018\\_RCCD Annual Financial Report FY17-18, VTD USAS Letter and VTD Management Letter](#)



RIVERSIDE COMMUNITY  
COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

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**JUNE 30, 2018**

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Riverside Community College District  
Riverside, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Riverside Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 12, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 70, the Schedule of OPEB Investment Returns on page 71, the Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program on page 72, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 73, and the Schedule of District Contributions for Pensions on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vanneth, Tamm, Day & Co, LLP

Riverside, California  
November 21, 2018

***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, 2018. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. 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 government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

***FINANCIAL HIGHLIGHTS***

- The District's primary funding source is from apportionment received from the State of California. The basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2017-2018 fiscal year, total reported resident FTES were 30,535 as compared to 29,652 in the 2016-2017 fiscal year. The District has no unfunded credit FTES for fiscal year 2017-2018.
- Several scheduled maintenance projects at the District and its three colleges resulted in building and site improvements totaling \$1,237,507 in the 2017-2018 fiscal year. The completed projects, listed below, are primarily funded through Physical Plant and Instructional Support, the District's voter approved General Obligation Bond (Measure C), and one-time budget savings allocations.

Security Improvements, Phase II – District-wide  
 Carpet/Tile Replacement, Humanities – Moreno Valley College  
 Landscaping, Phase II – Moreno Valley College  
 ATEC Building Tile Roof Replacement – Norco College  
 Third Street Access and Egress Paving – Norco College  
 Asphalt Repair – Riverside City College  
 Hazmat/Asbestos Removal – Riverside City College  
 Noble Building Demolition – Riverside City College

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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- Employee salaries increased by 9.85 percent or \$13.0 million from the 2016-2017 fiscal year and employee benefits increased by 32.40 percent or \$13.0 million. The increase in salaries is primarily due to a contractual salary increase of 2.0 percent for all permanent employees; a contractual salary increase of 2.5 percent for part-time faculty; a COLA increase of 1.56 percent; scheduled salary step increases; employee reclassifications; and an increase in the number of positions. The increase in benefit costs is due to increases in health and welfare benefit costs; an increase of 1.85 percent in CalSTRS employer contributions; 1.64 percent CalPERS employer contributions; and fixed charge increases associated with the increased number of positions discussed above.
- During the 2017-2018 fiscal year, the District provided approximately \$83.8 million in financial aid to students, representing an increase of 9.4 percent over the \$76.6 million in fiscal year 2016-2017. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	\$ 47,476,986
Federal Supplement Education Opportunity Grant (FSEOG)	1,108,524
Federal Direct Student Loans (Direct Loans)	3,785,564
Federal Work Study Program (FWS)	1,143,357
State of California Cal Grants (B & C)	5,584,064
State of California Full Time Student Success Grant	1,787,743
California Community College Promise Grant	<u>22,879,802</u>
Total Financial Aid Provided to Students	<u>\$ 83,766,040</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

***THE DISTRICT AS A WHOLE***

**Net Position**

**Table 1**

	(as restated)		
	2018	2017	Change
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 133,980,113	\$ 124,319,728	\$ 9,660,385
Accounts receivable (net)	17,692,325	12,075,155	5,617,170
Other current assets	157,003	194,466	(37,463)
Total Current Assets	<u>151,829,441</u>	<u>136,589,349</u>	<u>15,240,092</u>
Capital assets (net)	<u>429,548,028</u>	<u>440,959,728</u>	<u>(11,411,700)</u>
Total Assets	<u>581,377,469</u>	<u>577,549,077</u>	<u>3,828,392</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	8,636,776	9,479,658	(842,882)
Deferred outflows of resources related to pensions	61,177,833	40,579,912	20,597,921
Total Deferred Outflows of Resources	<u>69,814,609</u>	<u>50,059,570</u>	<u>19,755,039</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 651,192,078</u>	<u>\$ 627,608,647</u>	<u>\$ 23,583,431</u>
Current Liabilities			
Accounts payable and other current liabilities	\$ 67,152,941	\$ 55,136,096	\$ 12,016,845
Current portion of long-term obligations	7,073,716	7,673,413	(599,697)
Total Current Liabilities	<u>74,226,657</u>	<u>62,809,509</u>	<u>11,417,148</u>
Long-Term Obligations	<u>512,267,025</u>	<u>496,207,689</u>	<u>16,059,336</u>
Total Liabilities	<u>586,493,682</u>	<u>559,017,198</u>	<u>27,476,484</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>17,238,691</u>	<u>10,299,894</u>	<u>6,938,797</u>
<b>NET POSITION</b>			
Net investment in capital assets	178,793,863	186,569,478	(7,775,615)
Restricted	23,113,535	20,111,913	3,001,622
Unrestricted	<u>(154,447,693)</u>	<u>(148,389,836)</u>	<u>(6,057,857)</u>
Total Net Position	<u>47,459,705</u>	<u>58,291,555</u>	<u>(10,831,850)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 651,192,078</u>	<u>\$ 627,608,647</u>	<u>\$ 23,583,431</u>

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

#### Operating Results for the Year

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

**Table 2**

	2018	2017	Change
Operating Revenues			
Tuition and fees (net)	\$ 20,645,851	\$ 19,689,266	\$ 956,585
Grants and contracts	67,573,811	43,605,674	23,968,137
Other operating revenues	10,212	30,635	(20,423)
Total Operating Revenues	<u>88,229,874</u>	<u>63,325,575</u>	<u>24,904,299</u>
Operating Expenses			
Salaries and benefits	198,426,634	172,382,755	26,043,879
Supplies and maintenance	56,687,139	48,651,743	8,035,396
Student financial aid	63,492,406	53,298,914	10,193,492
Depreciation	17,803,097	16,960,528	842,569
Total Operating Expenses	<u>336,409,276</u>	<u>291,293,940</u>	<u>45,115,336</u>
Loss on Operations	<u>(248,179,402)</u>	<u>(227,968,365)</u>	<u>(20,211,037)</u>
Nonoperating Revenues			
State apportionments	114,799,282	111,781,459	3,017,823
Property taxes	54,642,122	53,128,130	1,513,992
State revenues	6,960,968	9,627,908	(2,666,940)
Federal and State financial aid grants	61,378,617	52,841,452	8,537,165
Net investment income	1,682,844	807,537	875,307
Net interest expense	(14,638,528)	(14,619,076)	(19,452)
Other nonoperating revenues	9,519,831	16,077,997	(6,558,166)
Total Nonoperating Revenue	<u>234,345,136</u>	<u>229,645,407</u>	<u>4,699,729</u>
Other Revenues (Losses)			
State capital income	3,213,350	1,356,211	1,857,139
Local capital income (losses)	(210,934)	213,750	(424,684)
Total Other Revenues (Losses)	<u>3,002,416</u>	<u>1,569,961</u>	<u>1,432,455</u>
Net Increase (Decrease) in Net Position	<u>\$ (10,831,850)</u>	<u>\$ 3,247,003</u>	<u>\$ (14,078,853)</u>

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment, which increased in fiscal year 2017-2018. Property taxes levied and received from property within the District's boundaries increased slightly during the year.

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



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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During 2017-2018, the District's investment income was \$1.7 million and interest expense was \$14.6 million. Interest income is primarily derived from cash held in the Riverside County Treasury. Investment income has increased approximately \$0.9 million from the 2016-2017 fiscal year due to the interest yield on funds held in the Riverside County Investment Pool.

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

**Table 3**

Year ended June 30, 2018:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 92,167,130	\$ 4,388,111	\$ -	\$ -	\$ 96,555,241
Academic support	26,148,065	14,799,433	-	-	40,947,498
Student services	34,030,178	6,145,832	-	-	40,176,010
Plant operations and maintenance	8,340,605	6,235,915	-	-	14,576,520
Instructional support services	25,530,860	17,208,962	-	-	42,739,822
Community services and economic development	2,210,501	530,447	-	-	2,740,948
Ancillary services and auxiliary operations	9,999,295	3,163,444	-	-	13,162,739
Student aid	-	-	63,492,406	-	63,492,406
Physical property and related acquisitions	-	4,214,995	-	-	4,214,995
Unallocated depreciation	-	-	-	17,803,097	17,803,097
Total	<u>\$ 198,426,634</u>	<u>\$ 56,687,139</u>	<u>\$ 63,492,406</u>	<u>\$ 17,803,097</u>	<u>\$ 336,409,276</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2018**

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**Changes in Cash Position**

**Table 4**

	2018	2017	Change
Cash Provided by (Used in)			
Operating activities	\$ (221,828,653)	\$ (239,677,310)	\$ 17,848,657
Noncapital financing activities	230,563,709	271,965,452	(41,401,743)
Capital financing activities	(377,342)	(10,258,004)	9,880,662
Investing activities	1,302,671	635,101	667,570
Net Increase (Decrease) in Cash	9,660,385	22,665,239	(13,004,854)
Cash, Beginning of Year	124,319,728	101,654,489	22,665,239
Cash, End of Year	<u>\$ 133,980,113</u>	<u>\$ 124,319,728</u>	<u>\$ 9,660,385</u>

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2018**

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***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

At June 30, 2018, the District had \$617.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2018, the District's net capital assets were \$429.5 million. Major capital improvement projects are ongoing throughout the District. These projects are primarily funded through Physical Plant and Instructional Support and Proposition 39: Clean Energy revenues, and District General Obligation Bonds. Projects are accounted for within the Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

**Table 5**

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Land and construction in progress	\$ 146,793,875	\$ 1,423,942	\$(55,809,532)	\$ 92,408,285
Buildings and land improvements	417,886,397	59,261,520	(674,274)	476,473,643
Furniture and equipment	47,736,895	1,884,741	(561,758)	49,059,878
Subtotal	612,417,167	62,570,203	(57,045,564)	617,941,806
Accumulated depreciation	(171,457,439)	(17,803,097)	866,758	(188,393,778)
	<u>\$440,959,728</u>	<u>\$ 44,767,106</u>	<u>\$(56,178,806)</u>	<u>\$ 429,548,028</u>

**Obligations**

At the end of the 2017-2018 fiscal year, the District had \$275.3 million in general obligation bonds outstanding, including premium. These bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries.

The District is also obligated to employees of the District for compensated absences, load banking benefits, and retiree health payments.

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

**Aggregate Net Pension Liability (NPL)**

At year-end, the District had an aggregate net pension liability of \$195.5 million. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below.

**Table 6**

	(as restated)			Balance
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
General obligation bonds	\$ 279,417,963	\$ 2,887,054	\$ (6,989,065)	\$ 275,315,952
Aggregate net other postemployment benefits (OPEB) liability	43,868,844	738,654	(162,910)	44,444,588
Aggregate net pension obligation	176,820,554	18,647,419	-	195,467,973
Other liabilities	3,773,741	338,487	-	4,112,228
<b>Total Long-Term Obligations</b>	<b>\$ 503,881,102</b>	<b>\$ 22,611,614</b>	<b>\$ (7,151,975)</b>	<b>\$ 519,340,741</b>
Amount due within one year				<b>\$ 7,073,716</b>

**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 2017-2018 fiscal year on June 19, 2018.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenues by \$30.23 million. The actual results for the year showed revenues exceeded expenditures by \$2.09 million.

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

The financial position of the District is closely tied to the economic position of the State of California since the District's largest source of general unrestricted revenue is State apportionment at 51.63 percent of total revenues. The District reported an increase of 75 FTES during fiscal year 2017-2018 resulting from an increase of course offerings. Beginning in FY 2018-2019, the State of California adopted a new method for funding California community colleges, referred to as the Student Centered Funding Formula. The Student Centered Funding Formula shifts the emphasis of funding from solely on access through full-time equivalent students to a combination of access, equity and student success, with the equity component determined by the number of College Promise and Pell Grants awarded, and the student success component determined, among other aspects, by the number of degrees and certificates awarded. The District's fiscal year 2018-2019 unrestricted general fund adopted budget anticipates revenue increases of \$18.37 million, expenditure increases of \$19.35 million, and a Board-approved contingency of 5.0 percent. The District continues to manage enrollment and operating costs to ensure ongoing financial stability and to achieve reserve levels required by Board policy and the State Chancellor's Office.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Riverside Community College District at 3801 Market Street, Riverside, California 92501.

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***BASIC FINANCIAL STATEMENTS***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2018**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 3,022,627
Investments - unrestricted	52,761,841
Investments - restricted	78,195,645
Accounts receivable	16,045,621
Student accounts receivable, net	1,612,391
Due from fiduciary funds	34,313
Prepaid expenses	126,260
Inventories	30,743

**Total Current Assets** 151,829,441

**Noncurrent Assets**

Nondepreciable capital assets	92,408,285
Depreciable capital assets, net of depreciation	337,139,743

**Total Noncurrent Assets** 429,548,028

**TOTAL ASSETS** 581,377,469

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding	8,636,776
Deferred outflows of resources related to pensions	61,177,833

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** 69,814,609

**LIABILITIES**

**Current Liabilities**

Accounts payable	15,262,647
Accrued interest payable	4,861,401
Due to fiduciary funds	132,862
Unearned revenue	42,350,349
Claims liability	4,545,682
Compensated absences payable - current portion	1,603,716
Bonds payable - current portion	5,470,000

**Total Current Liabilities** 74,226,657

**Noncurrent Liabilities**

Compensated absences and load banking payable - noncurrent portion	2,508,512
Bonds payable - noncurrent portion	260,290,680
Bond premium	9,555,272
Aggregate net other postemployment benefits (OPEB) liability	44,444,588
Aggregate net pension liability	195,467,973

**Total Noncurrent Liabilities** 512,267,025

**TOTAL LIABILITIES** 586,493,682

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	17,238,691
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**NET POSITION**

Net investment in capital assets	178,793,863
Restricted for:	
Debt service	12,156,648
Capital projects	1,885,451
Educational programs	9,071,436
Unrestricted	(154,447,693)

**TOTAL NET POSITION** \$ 47,459,705

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 43,525,653
Less: Scholarship discount and allowance	<u>(22,879,802)</u>
Net tuition and fees	<u>20,645,851</u>
Grants and Contracts, Noncapital:	
Federal	12,475,636
State	45,612,861
Local	<u>9,485,314</u>
Net grants and contracts, noncapital	<u>67,573,811</u>
Other Operating Revenues	<u>10,212</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>88,229,874</u></u>
<b>OPERATING EXPENSES</b>	
Salaries	145,222,476
Employee benefits	53,204,158
Supplies, materials, and other operating expenses and services	51,738,750
Student financial aid	63,492,406
Equipment, maintenance, and repairs	4,948,389
Depreciation	<u>17,803,097</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>336,409,276</u></u>
<b>OPERATING LOSS</b>	<u><u>(248,179,402)</u></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	114,799,282
Federal financial aid grants, noncapital	53,444,995
State financial aid grants, noncapital	7,933,622
Local property taxes levied for general purposes	38,128,216
Local property taxes levied for capital debt	16,513,906
State taxes and other revenues	6,960,968
Investment income	1,568,056
Interest expense on capital related debt	(14,638,528)
Investment income on capital related debt	114,788
Loss on disposal of capital assets	(369,273)
Other nonoperating revenue	<u>9,889,104</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>234,345,136</u></u>
<b>LOSS BEFORE OTHER REVENUES</b>	<u><u>(13,834,266)</u></u>
<b>OTHER REVENUES</b>	
State revenues, capital	3,213,350
Local revenues, capital	<u>(210,934)</u>
<b>TOTAL OTHER REVENUES</b>	<u><u>3,002,416</u></u>
<b>CHANGE IN NET POSITION</b>	<u><u>(10,831,850)</u></u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 15)</b>	<u><u>58,291,555</u></u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 47,459,705</u></u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
 FOR THE YEAR ENDED JUNE 30, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 20,028,779
Payments to vendors for supplies and services	(57,205,425)
Payments to or on behalf of employees	(191,476,248)
Payments to students for scholarships and grants	(63,492,406)
Federal, State, and local grants and contracts, noncapital	70,306,435
Other operating receipts	<u>10,212</u>
<b>Net Cash Flows From Operating Activities</b>	<u>(221,828,653)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State apportionments	114,799,282
Noncapital grants and contracts	61,378,617
Property taxes - non-debt related	38,128,216
State taxes and other apportionments	6,911,269
Other nonoperating	<u>9,346,325</u>
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>230,563,709</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(2,183,857)
State revenue, capital projects	3,343,631
Local revenue, capital projects	(210,934)
Property taxes - related to capital debt	16,513,906
Principal paid on capital debt	(6,989,065)
Interest paid on capital debt	(14,695,387)
Interest received on capital related debt	114,788
Deferred charges on refunding	842,882
Other expenses for capital financing activities, net	<u>2,886,694</u>
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(377,342)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received from investments	<u>1,302,671</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	9,660,385
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>124,319,728</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 133,980,113</u>

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



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2018**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS  
 FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (248,179,402)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation	17,803,097
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	(4,700,924)
Inventories	(72)
Prepaid expenses	22,070
Accounts payable and other accrued liabilities	(463,477)
Unearned revenue	6,816,476
Compensated absences and load banking	338,487
Claims liability	971,053
Aggregate net other postemployment benefits (OPEB)	575,744
Deferred outflows of resources related to pensions	(20,597,921)
Aggregate net pension obligation	18,647,419
Deferred inflows of resources related to pensions	<u>6,938,797</u>
Total Adjustments	<u>26,350,749</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (221,828,653)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST  
 OF THE FOLLOWING:**

Cash in banks	\$ 3,022,627
Unrestricted cash in county treasury	52,761,841
Restricted cash in county treasury	<u>78,195,645</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 133,980,113</u></u>

**NON CASH TRANSACTIONS**

On behalf payments for benefits	\$ 5,786,555
Board of Governors fee waivers	<u>22,879,802</u>
	<u><u>\$ 28,666,357</u></u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018**

	<b>Retiree OPEB Trust</b>	<b>Associated Students Trust</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,568,489
Investments	1,169,405	-
Accounts receivable	-	6,794
Due from primary government	-	132,862
Prepaid expenses	-	9,581
<b>Total Assets</b>	<u>1,169,405</u>	<u>2,717,726</u>
<b>LIABILITIES</b>		
Accounts payable	-	88,212
Due to primary government	-	34,313
Due to student groups	-	1,411,842
<b>Total Liabilities</b>	<u>-</u>	<u>1,534,367</u>
<b>NET POSITION</b>		
Restricted for postemployment benefits other than pensions	1,169,405	-
Unreserved	-	1,183,359
<b>Total Net Position</b>	<u>\$ 1,169,405</u>	<u>\$ 1,183,359</u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Retiree OPEB Trust</b>	<b>Associated Students Trust</b>
<b>ADDITIONS</b>		
Interest and investment income	\$ 116,869	\$ -
District contributions	6,209,619	-
Other local revenues	-	991,781
<b>Total Additions</b>	<u>6,326,488</u>	<u>991,781</u>
<b>DEDUCTIONS</b>		
Benefit payments	5,968,234	-
Services and operating expenditures	2,197	952,678
<b>Total Deductions</b>	<u>5,970,431</u>	<u>952,678</u>
<b>Change in Net Position</b>	356,057	39,103
<b>Net Position - Beginning, as Restated (See Note 15)</b>	<u>813,348</u>	<u>1,144,256</u>
<b>Net Position - Ending</b>	<u>\$ 1,169,405</u>	<u>\$ 1,183,359</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, 2018

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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 is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates three colleges located within western Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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

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

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

- **Riverside Community College District Development Corporation**

The Riverside Community College District Development Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to provide financing and acquire assets for the District. A majority of the Corporation's Board of Directors either serves by reason of their position in the District or is appointed by the District's Board of Trustees. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Riverside Community College District Development Corporation Fund as a Special Revenue Fund of the District. Individually prepared financial statements are not prepared for the Corporation. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2018, is as follows:

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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*Condensed Statement of Net Position*

**ASSETS**

Cash and cash equivalents	\$ 16,189
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**NET POSITION**

Restricted for:	
Capital projects	\$ 16,189

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

**NONOPERATING REVENUES**

Interest income	\$ 7
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**CHANGE IN NET POSITION**

7

**NET POSITION, BEGINNING OF YEAR**

16,182

**NET POSITION, END OF YEAR**

\$ 16,189

**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 government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

The 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, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

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

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

#### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

#### **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 \$363,214 for the year ended June 30, 2018.

#### **Prepaid Expenses**

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

#### **Inventories**

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

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

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

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

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

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



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method.

#### **Deferred Charge on Refunding**

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt or the life of the old debt, whichever is shorter.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

#### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

#### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### 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 government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within 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. The liability for this benefit is reported on the government-wide financial statements.

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

#### Unearned Revenue

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

#### Noncurrent Liabilities

Noncurrent liabilities include bonds payable, bond premiums, compensated absences, load banking, the aggregate net OPEB liability, and aggregate net pension obligations with maturities greater than one year.

#### Net Position

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

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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 government-wide financial statements report \$23,113,535 of restricted net position.

#### Operating Revenues and Expenses

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

**Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

**Classification of Expenses** - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

#### 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.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **Property Taxes**

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

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

#### **Scholarships, Discounts, and Allowances**

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

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

The District participates in federally funded Pell Grants, SEOG Grants, and Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### **Estimates**

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

#### **Interfund Activity**

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The District has implemented the provisions of this Statement as of June 30, 2018.

#### **New Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

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

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



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**General Authorizations**

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

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

**Authorized Under Debt Agreements**

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

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

	<u>Primary Government</u>
Cash on hand and in banks	\$ 2,972,627
Cash in revolving	50,000
Investments	<u>130,957,486</u>
Total Deposits and Investments	<u>\$ 133,980,113</u>

	<u>Fiduciary Funds</u>
Cash on hand and in banks	\$ 2,568,489
Investments	<u>1,169,405</u>
Total Deposits and Investments	<u>\$ 3,737,894</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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

#### Specific Identification

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

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity Date*</u>
Riverside County Investment Pool	\$ 130,222,070	1.17
Mutual Funds	<u>1,169,405</u>	N/A
Total	<u>\$ 131,391,475</u>	

\*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 Riverside County Investment Pool are rated AAA/S1 by Fitch Ratings Ltd. as of June 30, 2018. The District's investments in Mutual Funds are not required to be rated, nor have they been rated as of June 30, 2018.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District had bank balances of \$5,483,877 exposed to custodial credit risk because it was uninsured, but collateralized at 110 percent of balance over \$250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

#### **NOTE 4 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The District's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
Riverside County Investment Pool	\$ 130,222,070	\$ -	\$ 130,222,070
Mutual Funds	1,169,405	1,169,405	-
Total	<u>\$ 131,391,475</u>	<u>\$ 1,169,405</u>	<u>\$ 130,222,070</u>

All assets have been valued using a market approach, with quoted market prices.

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

Federal Government	<u>Primary Government</u>
Categorical aid	\$ 3,382,896
State Government	
Categorical aid	6,021,531
Lottery	1,281,260
Local Sources	
Interest	519,044
Property taxes	1,470,081
Self insurance	778,710
Other local sources	2,592,099
Total	<u>\$ 16,045,621</u>
Student receivables	\$ 1,975,605
Less allowance for bad debt	(363,214)
Student receivables, net	<u>\$ 1,612,391</u>
Total Receivables, Net	<u>\$ 17,658,012</u>
Other local	<u>Fiduciary Funds</u> <u>\$ 6,794</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 32,502,697	\$ -	\$ -	\$ 32,502,697
Construction in progress	114,291,178	1,423,942	55,809,532	59,905,588
Total Capital Assets Not Being Depreciated	<u>146,793,875</u>	<u>1,423,942</u>	<u>55,809,532</u>	<u>92,408,285</u>
Capital Assets Being Depreciated				
Land improvements	14,459,363	882,791	-	15,342,154
Buildings and improvements	403,427,034	58,378,729	674,274	461,131,489
Furniture and equipment	47,736,895	1,884,741	561,758	49,059,878
Total Capital Assets Being Depreciated	<u>465,623,292</u>	<u>61,146,261</u>	<u>1,236,032</u>	<u>525,533,521</u>
Total Capital Assets	<u>612,417,167</u>	<u>62,570,203</u>	<u>57,045,564</u>	<u>617,941,806</u>
Less Accumulated Depreciation				
Land improvements	11,350,389	948,376	-	12,298,765
Buildings and improvements	118,932,981	14,729,169	305,000	133,357,150
Furniture and equipment	41,174,069	2,125,552	561,758	42,737,863
Total Accumulated Depreciation	<u>171,457,439</u>	<u>17,803,097</u>	<u>866,758</u>	<u>188,393,778</u>
Net Capital Assets	<u>\$ 440,959,728</u>	<u>\$ 44,767,106</u>	<u>\$ 56,178,806</u>	<u>\$ 429,548,028</u>

Depreciation expense for the year was \$17,803,097.

The District was the beneficiary of an extensive bequest of Mine Okubo's estate, a Japanese-American artist, inclusive of paintings, works of art, reference materials, photographs, books, writings, letters, and printed material. The District took possession of the materials bequeathed from the estate of Ms. Okubo as of June 30, 2009. The District has included the collection and materials as priceless in the District's capital assets (non-depreciable assets). During the course of the next several years and as the District learns the collection's long-term historical value, the values will be added to the District's capital assets. As of June 30, 2018, the District has not recorded a value for the collection in the financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 1,225,140
Apportionment	5,468,465
Federal categorical programs	44
State categorical programs	108,114
Construction payables	1,454,986
Vendor payables	<u>7,005,898</u>
Total	<u>\$ 15,262,647</u>
	<u>Fiduciary Funds</u>
Vendor payables	<u>\$ 88,212</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 13,483
State categorical aid	30,448,467
Scheduled maintenance	3,282,291
Prop 39 Clean Energy	2,142,060
Other State aid	983,582
Enrollment fees	1,326,303
Health and liability self-insurance	2,435,231
Other local	<u>1,718,932</u>
Total	<u>\$ 42,350,349</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### *NOTE 9 - INTERFUND TRANSACTIONS*

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds, respectively, has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, the amounts owed between the primary government and the fiduciary funds were \$34,313 and \$132,862, respectively.

##### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, there were no transfers made between the primary government and the fiduciary funds.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### NOTE 10 - LONG-TERM OBLIGATIONS

##### Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
<b>Bonds Payable</b>					
General obligation bonds, Series 2010 D/D-1	\$ 113,222,831	\$ 744,652	\$ 765,000	\$ 113,202,483	\$ 970,000
Unamortized debt premium	1,342,895	-	58,176	1,284,719	-
General obligation bonds, Refunding Bonds 2014, Series A and B	67,375,000	-	4,085,000	63,290,000	4,400,000
Unamortized debt premium	3,758,479	-	372,742	3,385,737	-
General obligation bonds, Series 2015 E	45,605,795	2,142,402	1,265,000	46,483,197	-
Unamortized debt premium	164,557	-	7,452	157,105	-
Refunding Bonds 2015	42,885,000	-	100,000	42,785,000	100,000
Unamortized debt premium	5,063,406	-	335,695	4,727,711	-
<b>Total Bonds Payable</b>	<b>279,417,963</b>	<b>2,887,054</b>	<b>6,989,065</b>	<b>275,315,952</b>	<b>5,470,000</b>
<b>Other Liabilities</b>					
Compensated absences	2,974,674	274,537	-	3,249,211	1,603,716
Load banking	799,067	63,950	-	863,017	-
Aggregate net other postemployment benefits (OPEB) liability	43,868,844	738,654	162,910	44,444,588	-
Aggregate net pension liability	176,820,554	18,647,419	-	195,467,973	-
<b>Total Other Liabilities</b>	<b>224,463,139</b>	<b>19,724,560</b>	<b>162,910</b>	<b>244,024,789</b>	<b>1,603,716</b>
<b>Total Long-Term Obligations</b>	<b>\$ 503,881,102</b>	<b>\$ 22,611,614</b>	<b>\$ 7,151,975</b>	<b>\$ 519,340,741</b>	<b>\$ 7,073,716</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 compensated absences and aggregate net pension liability are paid by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the aggregate net other postemployment benefits (OPEB) liability and load banking.



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### Bonded Debt

##### 2010 General Obligation Bonds

During December 2010, the District issued the 2010 General Obligation Bonds in the amount of \$109,999,278. The bonds mature beginning on August 1, 2015 through August 1, 2040, with interest yields ranging from 2.36 to 5.53 percent. The bonds issued included \$102,300,000 of current interest Build America Bonds (Series 2010D-1 Bonds) and \$7,699,278 of capital appreciation tax-exempt bonds (Series 2010D Bonds), with the value of the capital appreciation bonds maturing to a principal balance of \$15,920,000. At June 30, 2018, the principal balance outstanding was \$113,202,483 and unamortized premium cost of \$1,284,719. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The District has designated the Series 2010D-1 Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the Stimulus Act), the interest on which is not excluded from gross income for Federal income tax purposes, but is exempt from State of California personal income taxes. The District expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable on such Series 2010D-1 Bonds. The District is obligated to make all payments of principal and interest on the Series 2010D-1 Bonds from the sources described in the official statement whether or not it receives cash subsidy payments pursuant to the Stimulus Act. Effective March 1, 2013, the subsidy percentage was reduced by 8.7 percent, to 26.3 percent as a result of sequestration by the Federal government. The sequestration percentage was again adjusted to 7.2 percent as of October 1, 2013, resulting in a semi-annual subsidy of \$1,170,987. As of June 30, 2018, the sequestration percentage remains at 7.2 percent.

The bonds are being used for the purposes of financing the repair, acquisition, construction, and equipping of certain District facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

##### 2014 General Obligation Refunding Bonds

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

Series A tax-exempt bonds have a final maturity to occur on August 1, 2027, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$34,006,704 (representing the principal amount of \$29,130,000 plus premium on issuance of \$4,876,704) from the issuance were used to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2004A, advance refund a portion of the District's 2005 General Obligation Refunding Bonds, advance refund a portion of the 2004 General Obligation Bonds, Series 2007C, and pay the costs associated with the issuance of the refunding bonds. At June 30, 2018, the principal balance outstanding was \$27,835,000. Unamortized premium received on issuance of the bonds amounted to \$3,385,737 as of June 30, 2018.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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Series B federally taxable bonds have a final maturity to occur on August 1, 2024, with interest rates from 0.40 to 3.61 percent. The proceeds of \$43,960,000 from issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds, and pay the costs associated with the issuance of the federally taxable bonds. At June 30, 2018, the principle balance outstanding was \$35,455,000.

#### **2015 General Obligation Bonds, Series 2015E**

During July 2015, the District issued the 2015 General Obligation Bonds, Series E in the amount of \$45,004,145. The bonds mature beginning on August 1, 2015 through August 1, 2039, with interest yields ranging from 3.81 to 5.05 percent. At June 30, 2018, the principal outstanding was \$46,483,197 and unamortized premium cost of \$157,105. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

#### **2015 General Obligation Refunding Bonds**

During July 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of \$43,920,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$5,372,100 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 4.32 percent.

The bonds have a final maturity to occur on August 1, 2032, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$49,654,797 (representing the principal amount of \$43,920,000 plus premium on issuance of \$5,734,797) from the issuance were used to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2007C, advance refund the remaining balance of the District's 2005 General Obligation Refunding Bonds and pay the costs associated with the issuance of the refunding bonds. At June 30, 2018, the principal balance outstanding was \$42,785,000. Unamortized premium received on issuance of the bonds amounted to \$4,727,711 as of June 30, 2018.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued	Addition	Redeemed	
2010	2041	2.36%-5.53%	\$ 109,999,278	\$ 113,222,831	\$ -	\$ 744,652	\$ 765,000	\$ 113,202,483
2014	2028	0.40%-5.00%	73,090,000	67,375,000	-	-	4,085,000	63,290,000
2015	2040	3.81%-5.05%	45,004,145	45,605,795	-	2,142,402	1,265,000	46,483,197
2015	2033	2.00%-5.00%	43,920,000	42,885,000	-	-	100,000	42,785,000
				<u>\$ 269,088,626</u>	<u>-</u>	<u>\$ 2,887,054</u>	<u>\$ 6,215,000</u>	<u>\$ 265,760,680</u>

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2019	\$ 915,087	\$ 54,913	\$ 7,164,193	\$ 8,134,193
2020	986,542	188,458	7,164,193	8,339,193
2021	1,071,954	288,046	7,164,193	8,524,193
2022	1,324,987	235,013	7,164,193	8,724,193
2023	1,425,661	349,339	7,164,193	8,939,193
2024-2028	5,178,252	2,191,748	35,820,965	43,190,965
2029-2033	8,165,000	-	35,483,394	43,648,394
2034-2038	51,670,000	-	24,554,543	76,224,543
2039-2041	42,465,000	-	4,623,855	47,088,855
Total	<u>\$ 113,202,483</u>	<u>\$ 3,307,517</u>	<u>\$ 136,303,722</u>	<u>\$ 252,813,722</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 4,400,000	\$ 2,396,286	\$ 6,796,286
2020	4,770,000	2,284,479	7,054,479
2021	5,175,000	2,141,647	7,316,647
2022	5,635,000	1,966,891	7,601,891
2023	6,130,000	1,763,760	7,893,760
2024-2028	37,180,000	4,620,795	41,800,795
Total	<u>\$ 63,290,000</u>	<u>\$ 15,173,858</u>	<u>\$ 78,463,858</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The General Obligation Bonds, Series 2015 E mature through 2040 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	3,703,353	1,556,647	5,260,000
2029-2033	11,327,995	9,197,005	20,525,000
2034-2038	22,741,765	30,543,235	53,285,000
2039-2040	8,710,084	16,044,916	24,755,000
Total	<u>\$ 46,483,197</u>	<u>\$ 57,341,803</u>	<u>\$ 103,825,000</u>

The General Obligation Bonds, 2015 Refunding mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 100,000	\$ 2,056,975	\$ 2,156,975
2020	100,000	2,054,975	2,154,975
2021	100,000	2,052,975	2,152,975
2022	100,000	2,050,475	2,150,475
2023	100,000	2,047,475	2,147,475
2024-2028	500,000	10,192,375	10,692,375
2029-2033	41,785,000	4,288,138	46,073,138
Total	<u>\$ 42,785,000</u>	<u>\$ 24,743,388</u>	<u>\$ 67,528,388</u>

#### Compensated Absences

At June 30, 2018, the liability for compensated absences was \$3,249,211.

#### Load Banking

At June 30, 2018, the liability for load banking was \$863,017.

#### Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension liability amounted to \$195,467,973. See Note 12 for additional information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, the District reported aggregate net OPEB liability and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>OPEB Expense</u>
District Plan	\$ 43,453,968	\$ 4,516,450
Medicare Premium Payment (MPP) Program	990,620	(162,910)
Total	<u>\$ 44,444,588</u>	<u>\$ 4,353,540</u>

The details of each plan are as follows:

**District Plan**

*Plan Administration*

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust.

*Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	108
Active employees	<u>1,050</u>
	<u>1,158</u>

**California Employers' Retiree Benefit Trust (CERBT)**

The CERBT OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the California Public Employees' Retirement System (CalPERS) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

#### *Contributions*

The contribution requirements of Plan members and the District are established and may be amended by agreements with the District, the Faculty Association (CCA/CTA/NEA), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$6,209,619 to the Plan, of which \$3,585,234 was used for current premiums and \$2,624,385 was used to fund the OPEB Trust. Of this amount, \$2,383,000 was disbursed as a reimbursement to the District for current year OPEB premiums.

#### **Investment**

#### *Investment Policy*

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	40%
Fixed Income	39%
Treasury Inflation-Protected Securities (TIPS)	10%
Real Estate Investment Trusts (REITs)	8%
Commodities	3%

#### *Rate of Return*

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**Net OPEB Liability of the District**

The District's net OPEB liability of \$43,453,968 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 44,623,373
Plan fiduciary net position	<u>(1,169,405)</u>
District's net OPEB liability	<u>\$ 43,453,968</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.62%</u>

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	6.73 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00 percent for medical; 5.00 percent for dental

The discount rate was based on the 20 year municipal bond rate.

Mortality rates were based on the 2016 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global Equity	6.73%
Fixed Income	6.73%
Treasury Inflation-Protected Securities (TIPS)	6.73%
Real Estate Investment Trusts (REITs)	6.73%
Commodities	6.73%

#### *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.73 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### **Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 43,528,662	\$ 813,348	\$ 42,715,314
Service cost	1,751,284	-	1,751,284
Interest	2,928,661	-	2,928,661
Contributions - employer	-	6,209,619	(6,209,619)
Net investment income	-	116,869	(116,869)
Benefit payments	(3,585,234)	(5,968,234)	2,383,000
Administrative expense	-	(2,197)	2,197
Net change in total OPEB liability	1,094,711	356,057	738,654
Balance at June 30, 2018	<u>\$ 44,623,373</u>	<u>\$ 1,169,405</u>	<u>\$ 43,453,968</u>



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (5.73%)	\$ 47,763,137
Current discount rate (6.73%)	44,623,373
1% increase (7.73%)	41,730,361

#### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (5% for medical; 4% for dental)	\$ 40,889,520
Current healthcare cost trend rate (6% for medical; 5% for dental)	44,623,373
1% increase (7% for medical; 6% for dental)	48,916,343

#### **OPEB Expense**

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,516,450.

#### **Medicare Premium Payment (MPP) Program**

##### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

#### **Contributions**

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2018, the District reported a liability of \$990,620 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.2355 percent and 0.2465, respectively, resulting in a net decrease in the proportionate share of 0.0110 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(162,910).

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 1,096,685
Current discount rate (3.58%)	990,620
1% increase (4.58%)	887,449

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 895,177
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	990,620
1% increase (4.7% Part A and 5.1% Part B)	1,085,110

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 11 - RISK MANAGEMENT

#### Property and Liability 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 \$55,000,000 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 \$800,000,000 (total pool value) with a \$50,000 self-insurance retention. A property and equipment audit performed by the Joint Powers Authority is used to identify the aforementioned exposures. However, claims against the property coverage would use current replacement value to respond to a covered event. Employee health benefits are covered by the employees enrolling in either one of two health maintenance organizations or in the District's self-insured health plan. The District's self-insured limit for the self-insured plan is \$100,000, and it purchases insurance coverage for the excess claims. The District purchases coverage for the dental benefits from a joint powers authority.

#### Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2018, the District contracted with the California Schools Risk Management (CSRМ) 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 2017-2018, the District participated in the California Schools Risk Management Fund Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / JPA Name	Type of Coverage	Limits
Self-Insured Certificate #7582 (California)	Workers' Compensation	\$ 500,000
California Schools Risk Management (CSRМ)	Excess Worker's Compensation	\$ 1,000,000
California Schools Risk Management (CSRМ)	General Liability	\$ 500,000
Southern California Schools Risk Management (SCSRМ) and Schools Excess Liability Fund (SELF)	Excess Liability	\$ 4,500,000
California Schools Risk Management (CSRМ)	Property	\$ 25,000,000
		\$ 600,000,000

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2016 to June 30, 2018:

	Self- Insurance
Liability Balance, July 1, 2016	\$ 3,370,882
Claims and changes in estimates	8,878,989
Claims payments	<u>(8,675,242)</u>
Liability Balance, June 30, 2017	3,574,629
Claims and changes in estimates	11,196,098
Claims payments	<u>(10,225,045)</u>
Liability Balance, June 30, 2018	<u>\$ 4,545,682</u>
Assets available to pay claims at June 30, 2018	<u><u>\$ 9,931,010</u></u>

The District records an estimated liability for indemnity healthcare, workers' compensation, torts, and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of the reported claims including future claim adjustment expenses and an estimate for claims incurred, but not reported based on historical experience. The estimated liabilities are calculated using an actuarial valuation of its self-insured medical benefits, workers' compensation, and general liability programs.

#### Employee Medical Benefits

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

- Medical - The employee has a choice of Kaiser Permanente, Health Net, or the RCCD Self-Insured PPO Health 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.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

- Dental - Delta Dental 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.

#### **NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 120,279,953	\$ 37,806,494	\$ 14,432,541	\$ 11,547,647
CalPERS	75,188,020	23,371,339	2,806,150	12,256,748
Total	<u>\$ 195,467,973</u>	<u>\$ 61,177,833</u>	<u>\$ 17,238,691</u>	<u>\$ 23,804,395</u>

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

#### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were \$11,721,821.



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 120,279,953
State's proportionate share of net pension liability associated with the District	71,156,604
Total	<u>\$ 191,436,557</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1301 percent and 0.1386 percent, respectively, resulting in a net decrease in the proportionate share of 0.0085 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$11,547,647. In addition, the District recognized pension expense and revenue of \$7,162,595 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 11,721,821	\$ -
Net change in proportionate share of net pension liability	3,356,600	9,131,275
Differences between projected and actual earnings on the pension plan investments	-	3,203,390
Differences between expected and actual experience in the measurement of the total pension liability	444,807	2,097,876
Changes of assumptions	22,283,266	-
Total	<u>\$ 37,806,494</u>	<u>\$ 14,432,541</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (2,663,096)
2020	2,015,179
2021	290,576
2022	(2,846,049)
Total	<u>\$ (3,203,390)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,173,577
2020	2,173,577
2021	2,173,577
2022	2,173,578
2023	3,304,025
Thereafter	2,857,188
Total	<u>\$ 14,855,522</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 176,609,157
Current discount rate (7.10%)	120,279,953
1% increase (8.10%)	74,564,987

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were \$7,094,279.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$75,188,020. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.3150 percent and 0.3277 percent, respectively, resulting in a net decrease in the proportionate share of 0.0127 percent.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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For the year ended June 30, 2018, the District recognized pension expense of \$12,256,748. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,094,279	\$ -
Net change in proportionate share of net pension liability	-	1,920,904
Differences between projected and actual earnings on the pension plan investments	2,600,991	-
Differences between expected and actual experience in the measurement of the total pension liability	2,693,676	-
Changes of assumptions	10,982,393	885,246
Total	\$ 23,371,339	\$ 2,806,150

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (70,477)
2020	3,000,980
2021	1,094,791
2022	(1,424,303)
Total	\$ 2,600,991

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 3,609,077
2020	3,947,655
2021	3,313,187
Total	<u>\$ 10,869,919</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 110,625,671
Current discount rate (7.15%)	75,188,020
1% increase (8.15%)	45,789,521



## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to \$5,786,555 (9.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

#### **Deferred Compensation**

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

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

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

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

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

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

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes the total 7.5 percent. District employees are covered under PARS Plan #763 as of June 30, 2018. Total contributions to the plan amounted to \$736,271.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### *NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES*

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

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

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2018, the District made payments of \$79,464, \$1,562,746, \$21,600, and \$1,031,597 to SELF, RCCCSSIPE, REEP, and SCSRM, respectively.

#### *NOTE 14 - 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, 2018.

##### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial statements of the District at June 30, 2018.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### 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
2019	\$ 43,293
2020	41,175
2021	25,449
2022	17,819
Total	<u>\$ 127,736</u>

#### Construction Commitments

As of June 30, 2018, the District had the following budgetary commitments with respect to the unfinished capital projects:

<u>Project</u>	<u>Estimated Cost to Complete</u>	<u>Percent Complete</u>	<u>Estimated Completion</u>
Moreno Valley - Student Services	\$ 11,000,000	0.00%	FY 2018-2019
Riverside - Student Services/Administration Building	4,224,079	83.71%	FY 2018-2019
District - IT Upgrade	727,797	87.87%	FY 2018-2019
Riverside City College Culinary Arts Academy and District Office Building	398,016	98.82%	FY 2018-2019
Norco - Self-Generation Incentive Program - SPP 882	82,874	97.34%	FY 2018-2019
	<u>\$ 16,432,766</u>		

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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***NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION***

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 91,393,327
Inclusion of aggregate net OPEB liability from the adoption of GASB Statement No. 75	<u>(33,101,772)</u>
Net Position - Beginning, as Restated	<u>\$ 58,291,555</u>
 <u>Fiduciary Funds</u>	
Net Position - Beginning	\$ 1,144,256
Restatement of retiree OPEB trust for implementation of GASB Statement No. 74	<u>813,348</u>
Net Position - Beginning, as Restated	<u>\$ 1,957,604</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,751,284
Interest	2,928,661
Benefit payments	<u>(3,585,234)</u>
<b>Net changes in total OPEB liability</b>	1,094,711
<b>Total OPEB Liability - beginning</b>	<u>43,528,662</u>
<b>Total OPEB Liability - ending (a)</b>	<u><u>\$ 44,623,373</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 6,209,619
Net investment income	116,869
Benefit payments	(5,968,234)
Administrative expense	<u>(2,197)</u>
<b>Net change in plan fiduciary net position</b>	356,057
<b>Plan fiduciary net position - beginning</b>	<u>813,348</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,169,405</u></u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 43,453,968</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>2.62%</u>
<b>Covered-employee payroll</b>	<u>\$ 85,823,805</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>50.63%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OPEB INVESTMENT RETURNS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>4.51%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
 OPEB LIABILITY - MPP PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
Year ended June 30,	
District's proportion of the net OPEB liability	<u>0.2355%</u>
District's proportionate share of the net OPEB liability	<u>\$ 990,620</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.1301%</u>	<u>0.1386%</u>
District's proportionate share of the net pension liability	\$ 120,279,953	\$ 112,090,120
State's proportionate share of the net pension liability associated with the District	<u>71,156,604</u>	<u>63,810,906</u>
Total	<u>\$ 191,436,557</u>	<u>\$ 175,901,026</u>
District's covered-employee payroll	<u>\$ 73,435,278</u>	<u>\$ 70,453,924</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>163.79%</u>	<u>159.10%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.3150%</u>	<u>0.3277%</u>
District's proportionate share of the net pension liability	<u>\$ 75,188,020</u>	<u>\$ 64,730,434</u>
District's covered-employee payroll	<u>\$ 40,162,918</u>	<u>\$ 39,288,878</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>187.21%</u>	<u>164.76%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.1322%</u>	<u>0.1408%</u>
\$ 89,023,018	\$ 82,251,502
<u>47,083,363</u>	<u>49,667,008</u>
<u>\$ 136,106,381</u>	<u>\$ 131,918,510</u>
<u>\$ 63,394,932</u>	<u>\$ 62,691,527</u>
<u>140.43%</u>	<u>131.20%</u>
<u>74%</u>	<u>77%</u>
<u>0.3284%</u>	<u>0.3371%</u>
<u>\$ 48,412,453</u>	<u>\$ 38,273,998</u>
<u>\$ 36,230,238</u>	<u>\$ 35,391,662</u>
<u>133.62%</u>	<u>108.14%</u>
<u>79%</u>	<u>83%</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 11,721,821	\$ 9,238,158
Contributions in relation to the contractually required contribution	<u>11,721,821</u>	<u>9,238,158</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 81,232,301</u>	<u>\$ 73,435,278</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 7,094,279	\$ 5,574,613
Contributions in relation to the contractually required contribution	<u>7,094,279</u>	<u>5,574,613</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 45,678,186</u>	<u>\$ 40,162,918</u>
Contributions as a percentage of covered-employee payroll	<u>15.53%</u>	<u>13.88%</u>

*Note*: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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2016	2015
\$ 7,559,706	\$ 5,629,470
<u>7,559,706</u>	<u>5,629,470</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 70,453,924	\$ 63,394,932
<u>10.73%</u>	<u>8.88%</u>
\$ 4,655,732	\$ 4,264,299
<u>4,655,732</u>	<u>4,264,299</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 39,288,878	\$ 36,230,238
<u>11.85%</u>	<u>11.77%</u>

## RIVERSIDE COMMUNITY COLLEGE DISTRICT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

##### **Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - There were no changes of assumptions since the previous valuation.

##### **Schedule of OPEB Investment Returns**

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

##### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

##### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

##### **Schedule of District Contributions for Pensions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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***SUPPLEMENTARY INFORMATION***

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# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2018

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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's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (ACCJC, WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

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

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Tracey Vackar	President	December 2018
Janet Green	Vice President	December 2018
Mary Figueroa	Secretary	December 2020
Virginia Blumenthal	Member	December 2018
Bill Hedrick	Member	December 2020

### DISTRICT ADMINISTRATION

Dr. Wolde-Ab Isaac, Ph.D.	Chancellor
Mr. Aaron Brown	Vice Chancellor, Business and Financial Services
Dr. Susan Mills	Vice Chancellor, Educational Services and Strategic Planning
Dr. Terri Hampton	Vice Chancellor, Human Resources and Employee Relations

### COLLEGE ADMINISTRATION

Dr. Irving Hendrick	Interim, President, Riverside City College
Dr. Bryan Reece	President, Norco College
Dr. Robin Steinback	President, Moreno Valley College

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Procurement Technical Assistance For Business Firms	12.002		\$ 285,097	\$ -
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bulletproof Vest Partnership	16.607		2,073	-
<b>U.S. DEPARTMENT OF LABOR</b>				
Workforce Investment Act				
Passed through from Chaffey Community College				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26434-14- 60-A-6	1,018,782	-
Research and Development Cluster				
<b>NATIONAL SCIENCE FOUNDATION</b>				
GP-Impact: Geoscientist Development	47.050		19,145	-
Flying with Swallows: Improve STEM Education at MVC	47.076		77,676	-
The Information Assurance Auditing Project	47.076		60,126	-
National Center for Supply Chain Automation	47.076		625,771	105,082
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through from Regents of the University of California, Riverside				
Agents of Change for a Healthier Tomorrow	93.884	S-000834	16,322	-
Total Research and Development Cluster			799,040	105,082
<b>SMALL BUSINESS ADMINISTRATION</b>				
Federal and State Technology (FAST)				
Passed through from California State University, Fullerton Auxiliary Services Corporation	59.058		42,605	-
Tri-Tech Small Business Development Center	59.037	SBAHQ-17-B-0065	82,558	-
Passed through from California Department of Food and Agriculture				
CA State Trade Export	59.061	SBAHQ-17-IT-0010; SBAHQ-16-IT-0032	156,710	-
Total Small Business Administration			281,873	-
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Veterans Services	64.117		4,854	-

See accompanying note to supplementary information.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TRIO Cluster:				
Student Support Services Program	84.042A		\$ 1,296,907	\$ -
Talent Search	84.044A		210,926	-
Upward Bound Program	84.047A		1,272,114	-
Upward Bound Program - Math & Science	84.047M		228,209	-
Subtotal TRIO Cluster			<u>3,008,156</u>	<u>-</u>
Student Financial Assistance Cluster:				
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		1,108,524	-
FSEOG Administrative	84.007		64,928	-
Federal Direct Student Loans (Direct Loans)	84.268		3,785,564	-
Federal Work Study Program (FWS)	84.033		1,143,357	-
Federal Work Study Administrative	84.033		69,446	-
Federal Pell Grants (PELL)	84.063		47,476,986	-
Federal Pell Administrative	84.063		7,135	-
Subtotal Student Financial Assistance Cluster			<u>53,655,940</u>	<u>-</u>
Higher Education Act				
Title V - Accelerating Pathways to Graduation and Transfer	84.031S		627,722	-
Title V - Moreno Valley College Title V Corrections Scenario Training	84.031S		148,096	-
Title V - Bright Pathways to STEM Success	84.031S		126,329	-
Title V - MVC STEM Project	84.031S		583,247	-
Title V - STEM Engineering Pathways	84.031C		1,064,570	-
Passed through from University Enterprise Corporation at CSUSB				
Title V - Here to Career	84.031S	GT16146	74,163	-
Career and Technical Education Act				
Passed through from California Community Colleges Chancellor's Office				
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	17-150-006	219,025	-
Career and Technical Education, Title I-C	84.048	17-C01-045	1,061,854	-
Career and Technical Education Transitions	84.048A	17-C01-045	69,767	-
Rehabilitation Act				
Passed through from California Department of Rehabilitation				
Workability	84.126A	29287	219,146	-
Total U.S. Department of Education			<u>60,858,015</u>	<u>-</u>

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	\$ 190,552	\$ -
Foster & Kinship Care Education Program (FKCE)	93.658	[1]	57,236	-
Passed through from Yosemite Community College District				
Early Childhood Study - Consortium Grant	93.575	17-18-4165	24,371	-
Passed through from Riverside County Superintendent of Schools				
Independent Living Skills - Emancipation Services	93.674	C-1005010	42,387	-
Total U.S. Department of Health and Human Services			314,546	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
AmeriCorps Student Ambassador Program	94.006		11,321	-
Total Expenditures of Federal Awards			\$ 63,575,601	\$ 105,082

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB 86 Adult Education Block Grant	\$ 540,527	\$ 671,332	\$ 1,211,859
Adult Education Program Data Block	-	44,867	44,867
Alliance for Allied Health Prof	-	17	17
Basic Skills	1,359,220	366,454	1,725,674
Board Financial Assistance Program	1,448,948	-	1,448,948
Cal Grant B	5,597,697	-	5,597,697
California Apprenticeship Initiative	-	726,914	726,914
California Career Pathways Trust	-	6,879,110	6,879,110
CalWORKs	1,123,625	-	1,123,625
CalWORKs Community College Set-Aside	100,000	29,487	129,487
Campus Safety and Sexual Assault	64,937	-	64,937
CARE	257,940	-	257,940
CCC Maker Implementation Grant with Sierra College	100,000	-	100,000
Commercial Sexual Exploitation of Children	13,000	-	13,000
Community College Basic Skills and Student Outcomes Transformation	1,508,217	572,695	2,080,912
Community College Completion	393,500	-	393,500
CTE Data Unlocked Initiative	-	171,683	171,683
CTE Pathways	-	30,348	30,348
Deputy Sector Navigator	235,000	-	235,000
Disabled Student Programs and Services (DSPS)	3,112,910	-	3,112,910
Enrollment Growth for ADN-RN	382,000	-	382,000
EOPS Special Project Set Aside	450,000	186,893	636,893
Extended Opportunity Program and Services (EOPS)	1,905,553	-	1,905,553
Faculty and Staff Diversity	50,000	6,282	56,282
Foster Care Education Program	65,225	-	65,225
Foster Parent Pre-Training	-	274,296	274,296
Full Time Student Success	1,774,500	13,300	1,787,800
Guided Pathways	926,030	-	926,030
Hunger Free Campus Support Allocation	61,808	-	61,808
Innovation in Higher Education	455,670	-	455,670
Instructional Equipment	614,225	387,549	1,001,774
JFK Middle College HS Counseling	20,000	-	20,000
Makerspace Start-Up	-	70,382	70,382
Mental Health Services	350,000	-	350,000
Middle College High School	100,000	-	100,000
Moreno Valley College's Cyber Camp	3,950	-	3,950
Nextup (CAFYES)	802,770	-	802,770
One-Time Emergency Aid Funding for Dreamer Students	167,925	-	167,925
Proposition 39 Clean Energy	200,000	-	200,000

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 1,211,859	\$ -	\$ -	\$ (567,440)	\$ 644,419	\$ 644,419
44,867	-	-	(26,112)	18,755	18,755
17	-	-	-	17	17
1,726,078	-	(405)	(1,177,812)	547,861	547,861
1,448,948	-	-	-	1,448,948	1,448,948
5,584,454	-	(390)	-	5,584,064	5,584,064
46,913	106,535	-	(33,547)	119,901	119,901
6,879,110	-	-	(3,000,132)	3,878,978	3,878,978
1,133,368	3,931	(9,367)	-	1,127,932	1,127,932
36,231	90,688	(7,654)	-	119,265	119,265
64,937	-	-	(64,937)	-	-
237,939	15,499	(7,534)	-	245,904	245,904
10,000	80,000	-	-	90,000	90,000
-	11,273	-	-	11,273	11,273
988,426	195,634	-	(166,634)	1,017,426	1,017,426
391,636	1,864	-	-	393,500	393,500
171,683	-	-	(100,000)	71,683	71,683
30,348	-	-	-	30,348	30,348
(60,000)	242,043	-	-	182,043	182,043
3,112,910	-	-	-	3,112,910	3,112,910
152,800	229,200	-	-	382,000	382,000
125,298	258,658	(3,500)	-	380,456	380,456
1,905,553	7,380	(34,689)	-	1,878,244	1,878,244
56,282	-	-	(37,787)	18,495	18,495
56,144	12,072	-	-	68,216	68,216
149,608	59,044	(20,716)	-	187,936	187,936
1,787,743	-	-	-	1,787,743	1,787,743
926,031	-	-	(921,578)	4,453	4,453
61,808	-	-	(35,761)	26,047	26,047
2,000,000	-	-	(1,922,426)	77,574	77,574
1,001,774	-	-	(129,428)	872,346	872,346
-	20,000	-	(3,129)	16,871	16,871
4,522	-	-	-	4,522	4,522
-	1,703	-	-	1,703	1,703
40,000	57,676	-	-	97,676	97,676
3,408	-	-	-	3,408	3,408
802,770	-	-	(802,770)	-	-
167,925	-	-	-	167,925	167,925
79,243	1,086	-	(74,880)	5,449	5,449

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Sector Navigator	\$ 372,500	\$ -	\$ 372,500
SFAP Fiscal Coordination	-	119,252	119,252
Song Brown Health Care Workforce Training Act	-	100,405	100,405
Song Brown Registered Nursing	200,000	-	200,000
Song Brown RN Education Special Programs	61,623	-	61,623
Song Brown RN Special Program	69,898	-	69,898
SSSP Special Project Set-Aside	8,273,681	1,198,894	9,472,575
Staff Development	-	2,788	2,788
Strong Workforce Program Local	3,644,099	2,663,788	6,307,887
Strong Workforce Program Regional	9,085,719	6,673,511	15,759,230
Student Equity	3,627,327	1,576,001	5,203,328
Student Health and Wellness	5,000	-	5,000
Student Success and Support Program	6,199,860	1,680,273	7,880,133
Veteran Resource Center-Ongoing	150,563	-	150,563
Veterans Resource Center	2,000,000	-	2,000,000
Total State Programs			

See accompanying note to supplementary information.

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Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ -	\$ 355,350	\$ -	\$ -	\$ 355,350	\$ 355,350
119,252	-	(23,859)	-	95,393	95,393
50,405	50,000	-	-	100,405	100,405
75,000	25,000	-	(4,037)	95,963	95,963
32,445	23,429	-	-	55,874	55,874
19,948	21,065	-	-	41,013	41,013
1,787,510	3,347,401	-	-	5,134,911	5,134,911
2,788	-	-	(2,788)	-	-
6,307,887	-	-	(4,709,704)	1,598,183	1,598,183
15,759,230	-	-	(13,335,988)	2,423,242	2,423,242
5,203,329	-	-	(1,511,255)	3,692,074	3,692,074
-	5,000	-	-	5,000	5,000
7,880,134	-	-	(973,137)	6,906,997	6,906,997
150,563	-	-	(127,098)	23,465	23,465
-	800,000	-	(720,087)	79,913	79,913
<u>\$ 69,769,124</u>	<u>\$ 6,021,531</u>	<u>\$ (108,114)</u>	<u>\$ (30,448,467)</u>	<u>\$ 45,234,074</u>	<u>\$ 45,234,074</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

CATEGORIES	* Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit	30.77	-	30.77
2. Credit	1,524.76	-	1,524.76
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit	-	-	-
2. Credit	1,332.23	-	1,332.23
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,751.86	-	17,751.86
(b) Daily Census Contact Hours	3,006.06	-	3,006.06
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	51.30	-	51.30
(b) Credit	2,127.70	-	2,127.70
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	2,574.23	-	2,574.23
(b) Daily Census Contact Hours	2,136.02	-	2,136.02
<b>D. Total FTES</b>	<u>30,534.93</u>	<u>-</u>	<u>30,534.93</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	275.96	-	275.96
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	7.92	-	7.92
2. Credit	1,929.20	-	1,929.20

\*Annual report was revised as of October 31, 2018.

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 33,140,604	\$ -	\$ 33,140,604	\$ 33,140,604	\$ -	\$ 33,140,604
Other	1300	33,130,392	-	33,130,392	33,130,392	-	33,130,392
<b>Total Instructional Salaries</b>		<b>66,270,996</b>	<b>-</b>	<b>66,270,996</b>	<b>66,270,996</b>	<b>-</b>	<b>66,270,996</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	13,114,156	-	13,114,156
Other	1400	-	-	-	2,510,041	-	2,510,041
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>15,624,197</b>	<b>-</b>	<b>15,624,197</b>
<b>Total Academic Salaries</b>		<b>66,270,996</b>	<b>-</b>	<b>66,270,996</b>	<b>81,895,193</b>	<b>-</b>	<b>81,895,193</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	27,780,995	-	27,780,995
Other	2300	-	-	-	2,153,424	-	2,153,424
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>29,934,419</b>	<b>-</b>	<b>29,934,419</b>
<b>Instructional Aides</b>							
Regular Status	2200	2,180,733	-	2,180,733	2,180,733	-	2,180,733
Other	2400	416,164	-	416,164	416,164	-	416,164
<b>Total Instructional Aides</b>		<b>2,596,897</b>	<b>-</b>	<b>2,596,897</b>	<b>2,596,897</b>	<b>-</b>	<b>2,596,897</b>
<b>Total Classified Salaries</b>		<b>2,596,897</b>	<b>-</b>	<b>2,596,897</b>	<b>32,531,316</b>	<b>-</b>	<b>32,531,316</b>
Employee Benefits	3000	22,930,605	-	22,930,605	46,173,989	-	46,173,989
Supplies and Material	4000	-	-	-	1,935,449	-	1,935,449
Other Operating Expenses	5000	-	-	-	15,597,023	-	15,597,023
Equipment Replacement	6420	-	-	-	1,542	-	1,542
<b>Total Expenditures Prior to Exclusions</b>		<b>91,798,498</b>	<b>-</b>	<b>91,798,498</b>	<b>178,134,512</b>	<b>-</b>	<b>178,134,512</b>

See accompanying note to supplementary information.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ 722,751	\$ -	\$ 722,751
Student Health Services Above Amount Collected	6441	-	-	-	27,132	-	27,132
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,722,327	-	1,722,327
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	876,878	-	876,878
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	3,281,954	-	3,281,954
Employee Benefits	3000	-	-	-	1,902,601	-	1,902,601
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 39,383	\$ -	\$ 39,383
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	8,573,026	-	8,573,026
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 91,798,498	\$ -	\$ 91,798,498	\$ 169,561,486	\$ -	\$ 169,561,486
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		54.14%		54.14%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 84,780,743		\$ 84,780,743

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
 EXPENDITURE REPORT  
 FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 23,420,013
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 23,203,583	\$ 216,430	\$ -	\$ 23,420,013
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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

**Total Fund Balance and Retained Earnings:**

General Funds	\$ 54,102,247
Special Revenue Funds	2,433,144
Capital Outlay Projects	8,415,121
Debt Service Funds	17,018,049
Proprietary Fund	5,385,328
Student Financial Aid Fund	<u>580,296</u>

**Total Fund Balances and Retained Earnings -  
All District Funds**

**\$ 87,934,185**

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:	617,941,806	
Accumulated depreciation is:	<u>(188,393,778)</u>	429,548,028

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

(4,861,401)

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	18,816,100
Net change in proportionate share of net pension liability	3,356,600
Differences between projected and actual earnings on pension plan investments	2,600,991
Differences between expected and actual experience in the measurement of the total pension liability	3,138,483
Changes of assumptions	<u>33,265,659</u>

**Total Deferred Outflows of Resources Related to Pensions**

**61,177,833**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.

Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(11,052,179)
Differences between projected and actual earnings on pension plan investments	(3,203,390)
Differences between expected and actual experience in the measurement of the total pension liability	(2,097,876)
Changes of assumptions	<u>(885,246)</u>

**Total Deferred Inflows of Resources Related to Pensions**

**(17,238,691)**

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF NET POSITION, CONTINUED  
 JUNE 30, 2018**

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Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		\$ 8,636,776
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	\$ 265,920,611	
Compensated absences and load banking	4,112,228	
Aggregate net other postemployment benefits (OPEB) liability	44,444,588	
Aggregate net pension liability	195,467,973	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	9,395,341	
Less compensated absences already recorded in funds	(1,603,716)	(517,737,025)
<b>Total Net Position</b>		<b><u>\$ 47,459,705</u></b>

See accompanying note to supplementary information.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### District Organization

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

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Build America Bonds and Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 65,920,631
Build America Bonds	N/A	(2,338,214)
Medi-Cal Administrative Activities	93.778	(6,816)
Total Expenditures of Federal Awards		<u>\$ 63,575,601</u>

#### Schedule of Expenditures of State Awards

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

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

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

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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#### **Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation**

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

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

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

#### **Proposition 30 Education Protection Account (EPA) Expenditure Report**

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

#### **Reconciliation of Governmental Funds to the Statement of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-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 AUDITOR'S REPORTS***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Riverside Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2018.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated November 21, 2018.

### **Purpose of This Report**

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



Riverside, California  
November 21, 2018



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Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Riverside Community College District  
Riverside, California

### **Report on Compliance for Each Major Federal Program**

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Riverside, California  
November 21, 2018



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Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Trustees  
Riverside Community College District  
Riverside, California

### **Report on State Compliance**

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

### **Management's Responsibility**

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### **Unmodified Opinion**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer an Intersession Extension Program; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding through Proposition 1D and State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

*Vanneth Tuma, Day & Co, LLP*

Riverside, California  
November 21, 2018

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

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,907,268</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

## **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018**

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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 Findings and Questioned Costs.

#### ***Financial Statement Findings***

None reported.

#### ***Federal Awards Findings***

None reported.

#### ***State Awards Findings***

None reported.



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Riverside Community College District (the District) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated March 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District changed accounting policies related to reporting of the aggregate net other postemployment benefit (OPEB) liability by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, for the year ended June 30, 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the claims liability is based on actuarial evidence provided by an actuary. We evaluated the key factors and assumptions used to develop the estimates for the claims liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the aggregate net other postemployment benefit (OPEB) liability is based on actuarial evidence provided by an actuary. We evaluated the key factors and assumptions used to develop the estimates for the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, management's estimate of the aggregate net pension obligation and associated accounts is based on actuarial evidence provided by the pension plan sponsors. We evaluated the key factors and assumptions used to develop the estimates for pension obligation, pension cost, and both deferred inflows and outflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Board of Trustees  
Riverside Community College District  
Page 2 of 3

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

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements of the financial statements.

#### *Disagreements With Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 21, 2018.

#### *Management Consultations With Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention. We have also issued a management letter which provides suggestions for improvements in internal control.

#### Other Matters

We applied certain limited procedures to the required supplementary information (RSI), which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Board of Trustees  
Riverside Community College District  
Page 3 of 3

We were engaged to report on the supplementary information as listed on the table of contents of the Annual Financial Report, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

*Vaughn, Tuma, Day & Co, LLP*

Riverside, California  
November 21, 2018





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Certified Public Accountants

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Board of Trustees and Management  
Riverside Community College District  
Riverside, California

In planning and performing our audit of the financial statements of Riverside Community College District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 21, 2018, on the financial statements of the District.

#### ***Cash Collections***

During our testing over cash collections, we observed the cashier in the Cosmetology Department at Riverside City College collecting money without ringing up individual sales into the department's point-of-sale (POS) system at the time of the transaction. Instead, the cashier would accumulate multiple service tickets and input each transaction once the line of customers cleared.

#### ***Recommendation***

Improper cash collection procedures opens up the opportunity for fraud and/or loss of revenues. Following established procedures on proper use of a POS system is a control to both ensure that service tickets are being inputted correctly and timely, but also to act as a secure location for cash until the nightly deposit into the safe. It is recommended that the Department maintains proper cash handling & use of POS procedures to prevent the risk of fraud and inaccurate recording of assets.

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

*Vavrinek, Trine, Day & Co., LLP*

Riverside, California  
November 21, 2018